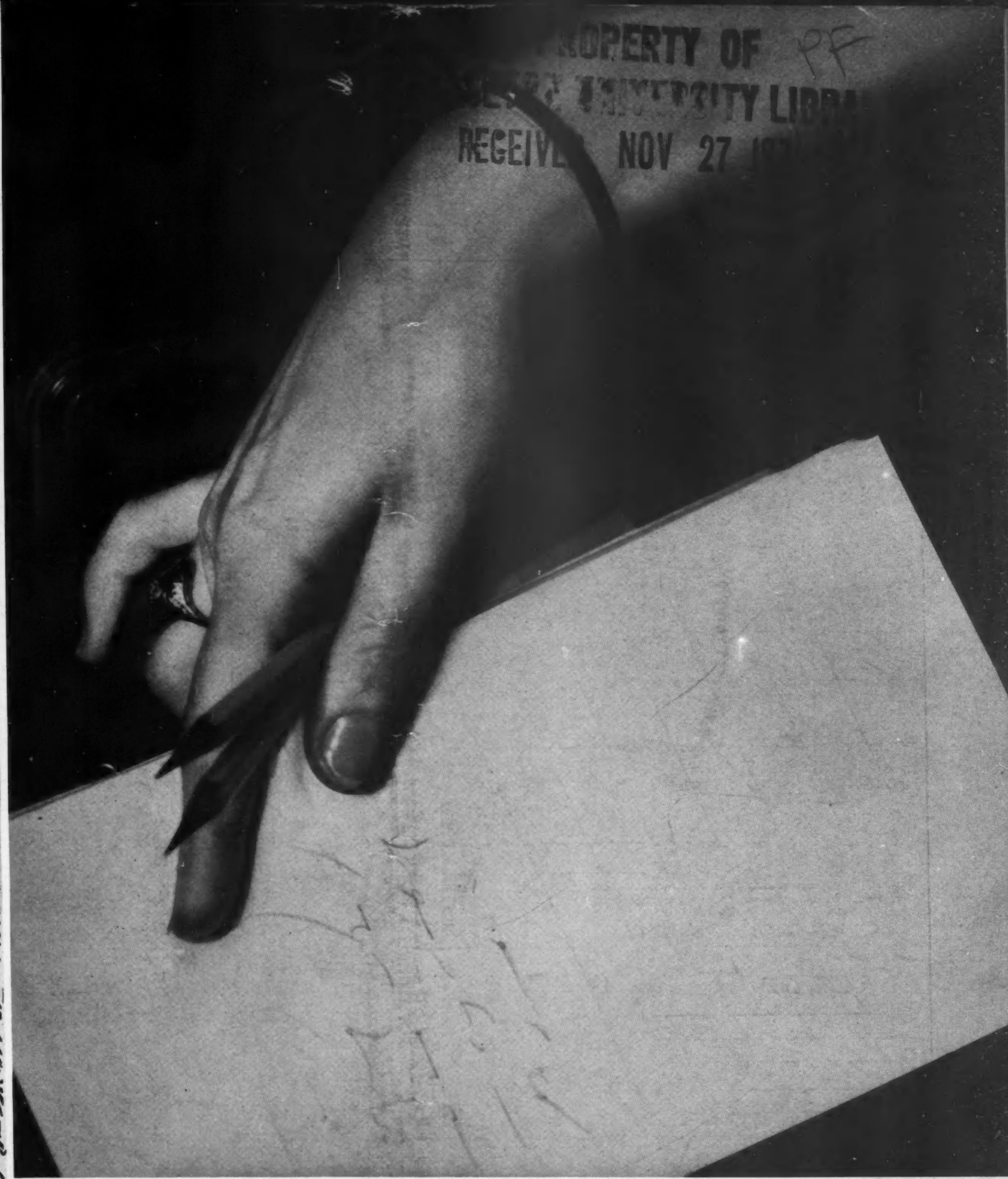

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CREDIT and FINANCIAL MANAGEMENT

Vol. 33, No. 11 NOVEMBER, 1931 Established 1898

AUTOMATIC COLLECTIONS

American business has long sought a guarantee for prompt payment of accounts.

S-S Safety-Shipment FORMS

PAYMENT ON SHIPMENT ORDER

Safety-Shipment Forms, Harvey Page, R.C.A. Bldg., New York City.

Order No.______ ______193__

Shipper

Ship to______

Customer

Address______ City______ State______

TERMS: Check with order. Check not negotiable unless accompanied by carrier's receipt (proof of shipment), bearing duplicate serial number.

The purpose of this form is to protect both buyer and seller, and is sold only to responsible companies. Misrepresentation of goods or abuse of the form or check in any way will result in punishment to the full extent of the law

S-S No. 99-999

Signature of agent ______ Authorized purchase signature ______

S-S Safety-Shipment CHECK

No.______ City______ State______ ______193__

Pay to the order of______ $______

______Dollars

For value received, I represent that the above amount is on deposit with said bank subject to this check, and I hereby assign said amount to the payee.

Bank

City

S-S No. 99-999

Vice Pres. Treas.

Safety-Shipment Forms, Harvey Page, R.C.A. Bldg., New York City.
S-S FORMS sold only by banks.

CARRIER'S RECEIPT: Must Accompany Check Bearing Duplicate Serial Number.

This receipt retained by shipper

Order No.______

Ship to______

RAILWAY EXPRESS AGENCY, Inc.
NON-NEGOTIABLE

COLLECT

S-S No. 99-999

Issued at______ Date______193__

Received from______

Address______

Article______ Weight______

Consigned to______

At______

Value herein declared by Shipper to be______ Dollars

Shipper ______ For the Company ______

From

S-S No. 99-999
Collect Receipt Number

Date

Number Pieces | Weight | Declared Value

Spaces for R. R. and Junction Stamps

(1)
(2)
(3)
(4)

Railway Express Agency, Inc.

ARE YOU YOUR CUSTOMER'S BANKER?

■ A thirty-day account, if paid promptly, requires an average of forty-two days to provide liquid capital, a turnover possibility of eight times per annum.

A ten-day account requires the use of the seller's money for an average of twenty-two days, a turnover of sixteen times a year.

A shipment on the S-S form requires only the time necessary to clear the payment on shipment check, an average of seven days and *a turnover possibility of forty-eight times a year!*

THE SAFETY SHIPMENT FORM IS THE ANSWER!

S-S Safety-Shipment FORMS

Are Safety Shipment Forms Legal?

Legally endorsed by counsel of the National Association of Credit Men, the American Bankers Association and the Law and Traffic Departments of the Railway Express Agency, Inc.; the Safety Shipment Form combines in one instrument the order, payment and shipment—all bearing identical serial numbers and declaration of value.

S-S Safety-Shipment FORMS

What Are Safety Shipment Forms?

The top part of the S-S form is the buyer's order to the seller; second, the buyer's check in full or part payment; third, the carrier's receipt, specifying whether the shipment is prepaid or collect. At the bottom, as a duplicate of this receipt, retained by the carrier, a stub, placed on the shipment by the carrier, and a shipper's receipt held by the seller, showing date and route of shipment. S-S checks are not payable unless accompanied by the carriers receipt bearing duplicate serial number of check.

THE S-S CHECK CAN NEITHER BE STOPPED NOR CANCELLED!

S-S Safety-Shipment FORMS

S-S Forms, in books of 100, are distributed nationally by the Railway Express Agency, Inc. or can be obtained from banks and local Association offices upon application.

BUY S-S FORMS FROM YOUR LOCAL ASSOCIATION OF CREDIT MEN.

For Complete Details write to

HARVEY PAGE
GEN. MGR.

SAFETY SHIPMENT FORMS

N. Y. CENTRAL BLDG.
NEW YORK, N. Y.

JUST A NORMAL VIEWPOINT

Number 8

We always made a great deal of the Christmas holidays in our home when I was a kid. While the memory of all of those very early Holidays is somewhat vague, I can still feel the thrill and mystery associated with the sound of horns, the smell of pine needles, lighted candles, snow, and the odor of turkey, peppermint canes and pies, and presents scattered all over the place.

My brother and I could hardly sleep on Christmas Eve in anticipation of finding in the morning the things we had wanted for months, combined with a few surprises which made it even more exciting.

One Christmas morning when I was 8 or 9 years old, we each found a $10 gold piece in the toe of our stocking. When Christmas approached the next year, I was told that I could spend that $10 for presents for other people. So, my brother and I were taken to a New York Department Store, where I picked out a leather writing portfolio for my mother while she stood right with me at the counter. Then, she asked us to wait where we were while she went to another Department. While she was gone, I bought the portfolio as a surprise for her.

I have never forgotten the difference between my feelings that Christmas Eve and all of those that had gone before it. I had two sensations instead of one. One, and by far the greatest, the anticipation of what I was to get, but added to that, I had the new thrill of thinking how surprised and astonished my mother would be when I gave her the portfolio.

Since that time, those two conflicting sensations have gradually changed their relationship to each other, for as I have grown up, I have found, just as every other grown person has, that the fun of Christmas time comes from planning to give, particularly to our families or to our closest friends.

Every normal man and woman has gone through that same change in viewpoint which has a definite effect on everything we do in life.

This is what occurs—

1st—When we are very young, we accept what is given to us as a matter of course.

2nd—As we grow up, we reach the stage when it is perfectly natural to think of the welfare and to plan for those who have given us the means to spend.

So, it is entirely natural that the R. G. Dun & Co. Organization should be actuated by the determination to give back to its Clients a Maximum Return in the services rendered for the income, or the means to spend, which is derived from them.

The Administrators of the activities of the R. G. Dun Organization are fully conscious of the fact that they are acting as Custodians of the largest income ever paid to any single organization for Credit Services.

This fact has thrown a heavy responsibility upon our Organization, during this period of depression, to develop as rapidly as possible a program which would assist our Clientele, to the best of our ability, to meet a particularly difficult situation.

Four Primary moves have been made to accomplish that purpose without added charge to our clients—

1st—The New Analytical Reports on the important names.

2nd—The New Type Reports specialized according to Industries.

3rd—The New Continuous Service Plan, and

4th—The Feature just announced—to issue Six (6) Reference Books to Clients contracting for Four (4) Books, and Three (3) Books to those contracting for Two (2) Books.

This latest move will save the Credit Community collectively tens of millions of dollars annually, by giving far greater flexibility to Rating Changes than has ever been possible in the past.

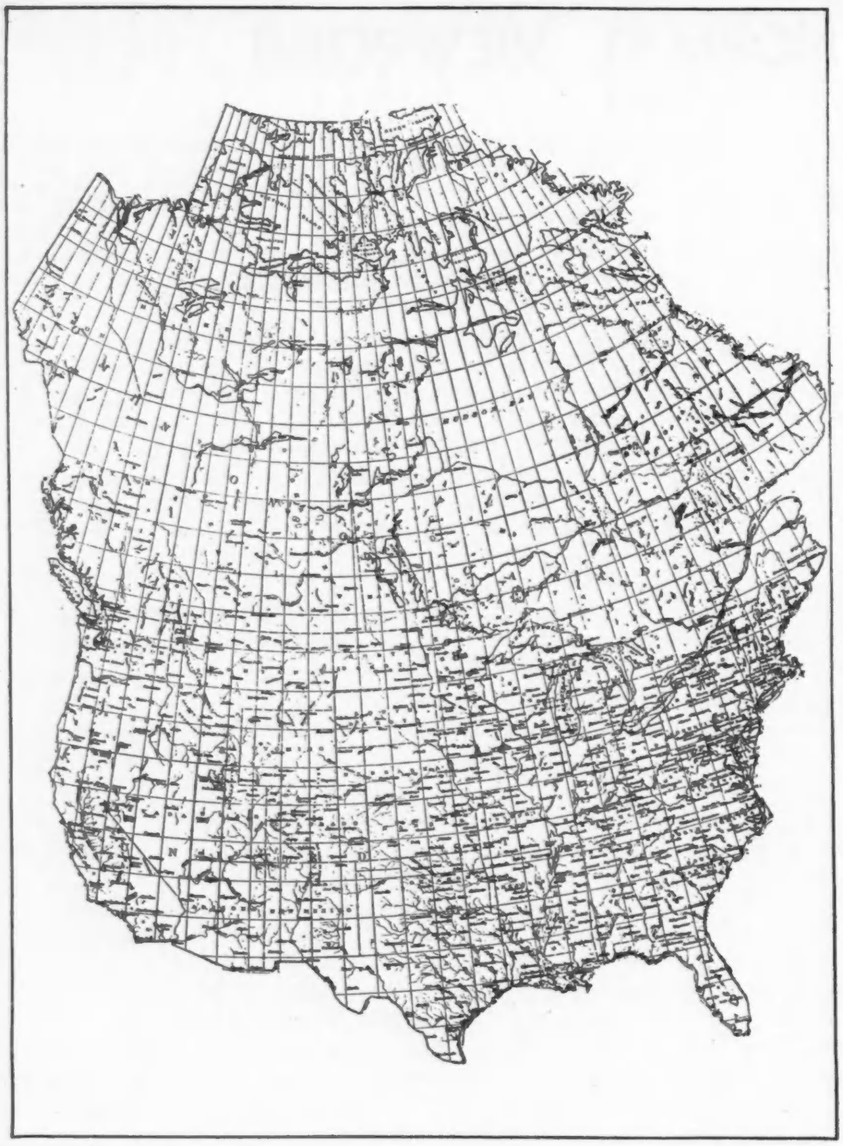
It will be one of the most potent factors in the prevention of premeditated frauds, second only to the most outstanding move ever made in Credit Circles—that of the raising and administration of the Prosecution Fund by the National Association of Credit Men.

In making these changes, the R. G. Dun & Co. Organization has been guided by one basic motive—that of—

Just A Normal Viewpoint

which is latent, if not openly expressed, in every sensible business in this country, today.

National Credit Office, Inc.	**A. D. WHITESIDE, President**	**R. G. Dun & Co.**
2 Park Avenue	**New York City**	**290 Broadway**



2,025 COMMUNITIES

Established 1899

102 Maiden Lane, New York

How would you like to have a trained investigator to do your bidding at 2,025 communities? throughout the United States and Canada Well, you have. A recent survey of the salaried-inspector personnel of The Hooper-Holmes Bureau shows that over 2,025 cities, towns and villages are covered regularly by salaried inspectors working out of fifty-seven control offices.

This, you will say, certainly sounds like service. But, in addition to this service, there are more than 35,000 points where carefully selected fee correspondents are retained. Both the inspectors and the correspondents are under the close supervision of the control offices. Their work is checked and, if necessary, re-inspected before it reaches you. If any question arises obout a report, the file is reopened and inspection continued without cost to you.

And what you get is not worn out file information. It is fresh, down to-the-minute news obout your credit risk. It is the sort of information you would like to get if you investigated personally.

The nationwide facilities of the Hooper-Holmes Bureau are devoted to the compiling of Moral Hazard Inspection Reports for insurance underwriting, credit, commercial and employment purposes and Claim Reports.

THE HOOPER-HOLMES BUREAU, Inc.

When writing to Hooper-Holmes Bureau, please mention Credit & Financial Management

CONTENTS FOR NOVEMBER, 1931

looking ahead

We read with some concern of various countries changing their monetary standards. This causes complications in commercial circles, but no one is harder hit by such changes than the accountant. Our next issue will contain an article on accounting problems in countries with fluctuating currencies, prepared by a man who is connected with an American firm doing business in Mexico.

The second in the series of commodity studies similar to this month's analysis of the cotton situation will appear in ours of December.

Last month's article on the use of humor in collection letters gained so much favorable comment that we will present, in the form of a Christmas present to our readers, a series of verses elucidating credit problems. Those who can see the need of humor and sprightliness on occasion in a please pay monograph will find these helpful.

The basic study of installments by Gary Underhill will be carried on in December, as well.

CREDIT

and FINANCIAL MANAGEMENT

CHESTER H. McCALL, Editor and Business Manager

Paul Haase, *Managing Editor* — Clifford T. Rogers, *Advertising Manager* — Simpson-Reilly, *Pacific Coast Representatives* — Philip J. Gray, *Western Advertising Manager* — F. M. Ferguson, *Circulation Manager*

CREDIT and FINANCIAL MANAGEMENT Nov. 1931

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Vol. XXXIII No. 11

When will dollars go to Market again?

IN times of stress, the 86% of America's families whose normal income is $3000 or less a year suffer most severely. Few of them have had any surplus funds to fall back upon. Millions have fallen behind in their bills. Many of them have gone into debt as deeply as their credit will allow them to go.

. . . EVEN with employment resumed, it will be a long time before they can get caught up. Much of their income will have to be applied against indebtedness for a long time before they are back in the market again.

. . . IN this state, and in twenty-five others where there is an equitable Small Loan Law, improvement of business does not have to wait until families can get even with their bills. Heads of families upon returning to work, may go immediately to reputable family finance companies, obtain cash loans, pay their bills at once, then repay the loans in small monthly payments which will not cripple their incomes.

. . . THE foremost family finance organization in America is Household. Its 147 offices located in 89 principal cities are playing a major part in getting the consumer's dollar into market again. To hundreds of thousands of families, Household lends amounts up to $300 on the security which almost every family possesses. No stocks, bonds, or other bankable collateral are required. Only the signatures of husband and wife are asked. Up to twenty months are allowed for repayment.

. . . THE vast scope of its service, coupled with efficient management, has enabled Household to reduce its rates on loans above $100 and up to $300 almost a third below the maximum charges allowed by law.

. . . TO further speed the return of prosperity, Household gives friendly and helpful advice to its customers, thus aiding them to get out of debt as promptly as possible while spending their incomes wisely.

◆ ◆

MONEY MANAGEMENT FOR HOUSEHOLDS, *a helpful booklet on budgeting family income, leading to the happiness of financial security, is offered without charge to all. Telephone, call, or write for a copy.*

HOUSEHOLD
FINANCE CORPORATION . . .
Headquarters: Palmolive Building, Chicago, Illinois
. . . (147 Offices in 89 Principal Cities) . . .
(Consult your telephone directory for the office nearest you) . . .

Turn the dial to your NBC Station every Tuesday night at 8:00 Central Standard Time and listen to the Household Hour, featuring America's foremost stars of the opera, concert, and stage, as well as leading thinkers in affairs of national importance.

Speeding the end of the depression . . .

Getting hundreds of thousands of families out of debt and into the market for the goods of producer and seller is the function of Household, America's foremost family finance organization. Last year Household lent over $66,000,000 for paying accumulated bills, thus enabling more than 330,000 families to use most of their income for buying. How Household operates is described in this advertisement, part of a campaign in leading newspapers. For further facts about the economic importance of small loans to families, write to Dept. C9, Household Finance Corporation, Palmolive Bldg., Chicago.

When writing to Household Finance Corporation, please mention Credit & Financial Management

90% water

The brain is 90% water. It is quite evident that more people should have drunk more water during the past two years. We have had too much tongue power and not enough brain power. It is easier to talk than it is to think and it has taken us a long time to learn the sad lesson that we cannot talk ourselves out of a depression.

The brain of a great scientist is 90% water, just as the brain of a moron is 90% water. The whole difference lies in this 10%. This is a magical margin, not only so far as the physical composition of the brain is concerned, but also to distinguish the difference between the good business thinker and the bad business thinker.

There is only a 10% difference between prosperity and depression. The head of an organization may have only 10% more brain ability than any one of his under-employees. In casting about for some definition of what this 10% really means we may find the answer in a man's capacity to secure a perspective and relate this perspective to the individual problems of his own business and organization.

To a swimmer with his head close to the water, the horizon is only a short distance away. The captain of a great sailing vessel has a far broader sweep of vision and a much more comprehensive perspective. The man 10,000 feet in the air can see 150 times as much territory as the man on top of a high building. How many business men that you know have the faculty for placing themselves in an objective position, away from the individual problems of their own business, and attaining the proper perspective?

Not long ago I visited within an hour the President of a large New York company and one of his department heads. In the book case back of the President's desk were books on economics, finance, the theatre, Shakespeare, poetry, and virtually every field of literature. The books back of the department head's desk were purely technical and related only to the job he was doing. Which of these two men do you think has the greater vision and the greater perspective?

Apply the principle of perspective to yourself and to your own problems. Apply it to many of this country's leaders! Tabulate the results. Specifically apply it to our agricultural situation. The Federal Farm Board and legislation endeavored to stabilize the wheat price. If they saw the wheat situation in the broader sense they certainly did not adapt their thinking to this greater perspective.

Since the Sino-Japanese disturbance caused Soviet Russia to hold back its vast supplies of wheat in case of war, America's wheat prices have made a remarkable gain with an unexpected accrual of $350,000,000 to American farmers within an unusually short period of time.

Economic thinking requires more perspective today than any other type of thinking. You cannot give any man a set of rules on how to acquire a perspective. All you can do is to point out the need. If he hasn't sufficient ingenuity to develop this all important mental attribute he wouldn't know how to apply the "perspective attribute" if he had it.

In the field of literature Milton's name has become immortal. The following quotation aptly describes the quality of Milton's literary perspective which has made him a giant of letters: "Milton was a Phidias who could carve a colossus out of stone but who could not carve heads out of cherry pits." In this country today we have too many men who can do little jobs well but not enough men who can do big jobs well.

A friend of mine, Richard W. Saunders, has recently published a book in which he gives the following lines:

My grandpa notes the world's worn cogs
And says we're going to the dogs.
HIS grand-dad in his house of logs
Swore things were going to the dogs.
HIS dad amid the Flemish bogs,
The cave man in his queer skin togs
Said things were going to the dogs.
But this is what I wish to state—
The dogs have had an AWFUL wait.

This poem is characteristic of the tongue power of people. People seem to be happy when they have something to be miserable about. Economic woes give them excuses for blaming their troubles on conditions beyond their control. Foolish optimism, however, is just as bad as foolish pessimism. When times get bad people become pessimistic and think good times are never coming back. When times are good people become optimistic and think that bad times will never return. The proper balance of mental perspective would protect people by giving them a sprinkling of pessimism during prosperity and a sprinkling of optimism during a depression.

Do not forget that the brain is 90% water. You have only 10% of real stuff to work with and the most important quality of that 10% is the capacity to get a broad perspective and the ability to adapt the observations of that perspective to the particular problems of your own country and the general problems of business.

Chester H. McCall

DEBTORS *HEED* POSTAL TELEGRAMS

....USE THEM *in your collection work*

● Put your collection message in the form of a Postal Telegram to give it a vitality all its own . . . a check-producing quality that means important savings in time and expense over ordinary collection methods. Postal Telegrams steer clear of wastebaskets. They give your story the important background you want it to have. They put over a big message in a big way . . . they get *action.* Use Postal Telegrams in your credit work. Use them to reach 80,000 places in the United States and Canada, and through the great International System of which Postal Telegraph is a part, to reach the entire world. Use convenient . . . fast . . . accurate Postal Telegrams.

●

Postal Telegraph is the only American telegraph company that offers a world-wide service of coordinated record communications under a single management. Through the great International System of which Postal Telegraph is a part, it reaches Europe, Asia, The Orient over Commercial Cables, Central America, South America and the West Indies over All America Cables, and ships at sea via Mackay Radio.

THE INTERNATIONAL SYSTEM

Postal Telegraph

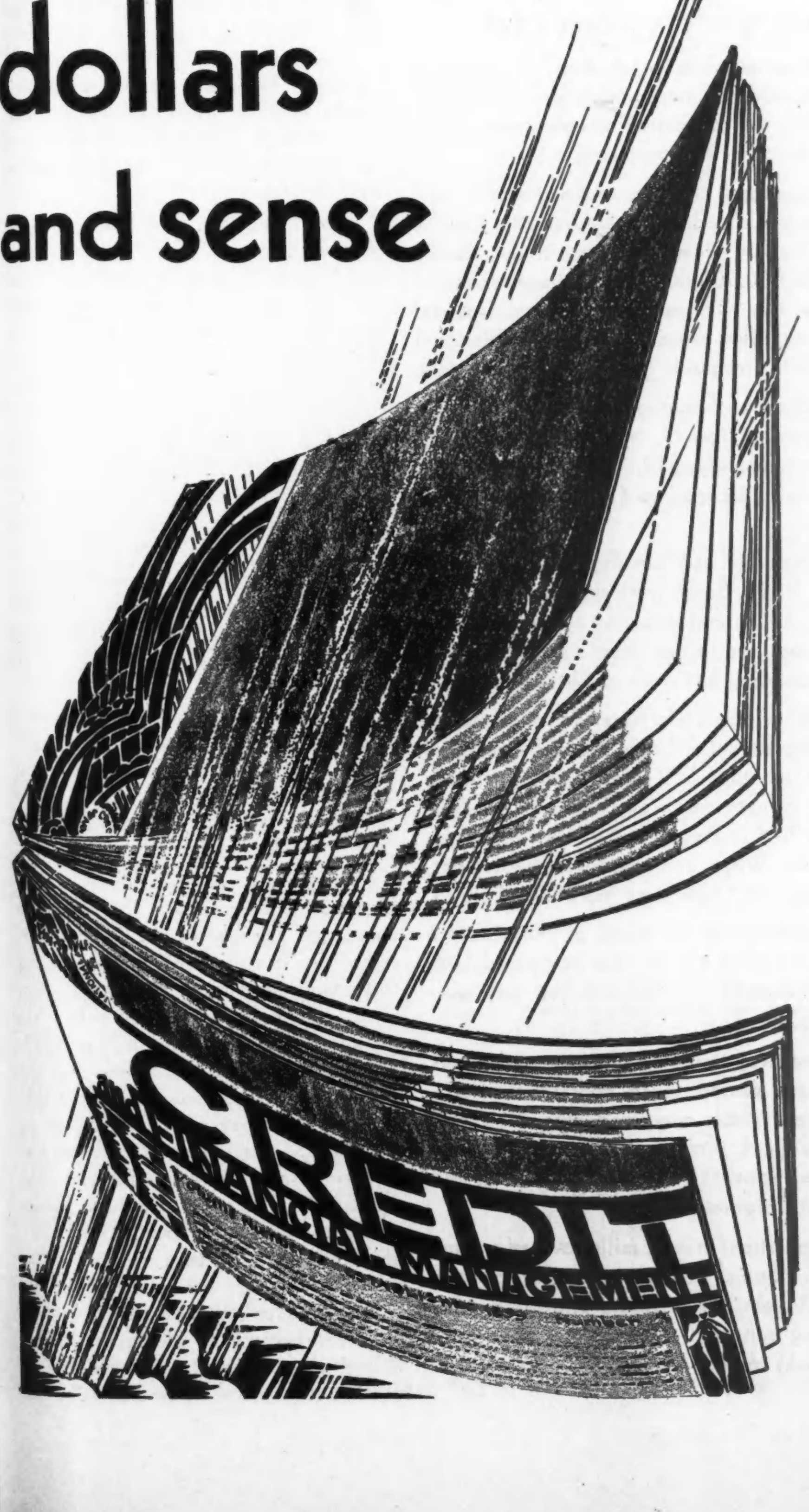
Commercial Cables

All America Cables

Mackay Radio

When writing to Postal Telegraph, please mention Credit & Financial Management

a cross section of this issue in terms of dollars and sense



Have you ever stopped to figure the cost of accounts which are slow in their paying habits? If they are scheduled to pay within thirty days and then don't, you must realize that you are in reality lending them the money for the extra period.

By turning to pages 14 and 15 you can gain much information that may save your firm some dollars and, perhaps, even earn several for your company.

T. Homer Green, one of the original founders of the National Association of Credit Men in 1896, advocates in a virile article the charging of interest on past due accounts, and on the opposite page a table, showing the possible costs to you of accounts that do not pay on time, is presented, along with an explanatory article. Here is a real chance to gain a definite viewpoint on the subject of slow accounts.

Gary Underhill analyzes the development and the economic justification of the installment business being done in America today. His article (page 10) was originally a study for the Morris Plan Bank of Virginia. It came to our desk by chance, but it did not leave until it began its trip to the print shop for a place in this issue.

Cotton is having its troubles and since it is one of our most important crops its troubles are of vast significance. From the maze of facts, opinions and plans for control, Gilbert Parker Hayes has distilled a thoroughgoing analysis (page 16) of the troubles of King Cotton and the efforts being made to restore him to his throne.

The National Credit Corporation was organized to give additional liquidity to the banking situation. The exposition (page 20) of its organization and purpose is as timely as a front page news story.

W. S. Swingle, who presented his survey of Credit and Collection conditions in Latin America in our last issue, this month writes a background piece on Latin America's economic position. It's yours for the turning to page 26.

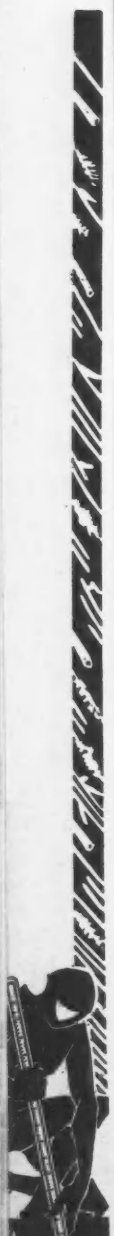
And as you're passing by drop in on H. G. Romig's second article (page 18) in his series on the measurement of efficiency in collections.

the business

a compilation of business and

straws in the wind

blow hot, blow cold—the following straws indicate the strength and direction of the trade winds in recent weeks:



AUTO PRODUCTION: Fall increases in automobile production, although expected, were not evident in recent weeks. Industrial employment during October was at the lowest point of the year reflecting the suspension of operations, partial or entire, by several plants in preparation for the 1932 programs.

BANK CLEARINGS: Bradstreet's reports reveal clearings to be dropping less rapidly than most other graphs. During the week ending November 12 a total of over $5,400,000,000 went through 47 leading clearing houses in the United States as compared with a total of over $6,000,000,000 the previous week but Armistice Day was a responsible factor for this decrease. The normal seasonal increase at this time of the year is evident. The organization of the National Credit Corporation should prove a fine back-log for stable banks with frozen assets.

BUILDING CONSTRUCTION: From 215 cities throughout the country reports indicate that building construction still shows no signs of improvement and at the end of September the dollar total of approximately $79,000,000, was almost half of the $144,000,000 of the same month a year ago and 17.5 per cent. below the August, 1931, figures.

BUSINESS FAILURES: Failures, both commercial and banking, continued without interruption during the early Autumn. 298 banks were suspended in September, the largest number since December,1930, and involving a total of $271,-299,000 in deposits. Commercial failures reported to Bradstreet's numbered 502 compared to 457 a year ago for the corresponding first week of November.

COMMODITY PRICES: The index number of wholesale prices as computed by the Bureau of Labor Statistics of the U. S. Department of Labor showed a decrease for September. This index number, which includes 550 commodities or price series weighted according to the importance of each article and based on the average prices for 1926 as 100.0, declined from 70.2 in August to 69.1 in September, a decrease of a little more than 1 ½ per cent. When compared with September, 1930, with an index number of 84.2, a decrease of 18 per cent, has been recorded.

FREIGHT LOADINGS: Total revenue loadings for the week of November 7 amounted to 717,029 cars, 23,334 below the week before, but compared with the corresponding week of 1930 it was decreased by 164,488 cars and over 300,000 below the same week of two years ago.

INVESTMENTS: Bonds continue in a general way the same precipitous declines that started during the mid-summer and have caused much consternation in a market which looked upon bonds as relatively stable compared with the Stock Market, which still shows continued small declines, stimulated upwards occasionally, for a short time only, by such events as Hoover's Debt Moratorium or the more recent formation of the National Credit Corporation.

STEEL PRODUCTION: Late in October operations in steel mills hovered around 28 per cent. and 29 per cent. of capacity. Some increase in production was predicted by virtue of the limited railroad freight rate increases allowed by the inter-state commerce commission on steel, pig iron, iron ore, coal and coke, because it was felt that buyers might lay in stocks to take advantage of the present lower freight rates.

The recent heavy withdrawal of gold from the United States approximating about $630,000,000 within five weeks, the second increase in the rediscount rate within one week, and the formation of the National Credit Corporation, have focused considerable attention on the Federal Reserve System.

Considering the magnitude of the present depression, it can be stated that the Federal Reserve System has stood the test and has justified its present methods of operation, although certain modifications in its set-up will be necessary, says A. W. Zelomek, statistician-economist of the Fairchild Publications.

Unlike the panic of 1907, the convulsion of 1929 did not shake the people's confidence in our banks and currency. When the final chapter is recorded, due credit will be accorded to the Central Bank for its share in preventing still greater chaos, although many justifiably maintain it could have minimized the velocity of the decline by earlier restriction of credit.

Reviewing the history of the Federal Reserve System, particularly since 1921-1922, it can be noted that in general it has exercised restraint in time of excess and has provided a stimulant to easy credit in time of deficiency.

One of the greatest criticisms against the Federal Reserve was its failure to check the speculative mania in 1929. It has also been accused of aggravating this condition through the inauguration of an extremely easy money policy, especially during the second half of 1927. The explanation given has been that the Federal Reserve purchased a considerable quantity of Government securities to help Europe, particularly Great Britain, in their efforts to reestablish the gold standard. It began to sell the holdings in the early part of 1928, after business commenced to turn upward. The consequence was a hardening of money rates. This policy, however, was not followed, because of the general fear of high interest rates. The question is whether the Federal Reserve System was

thermometer

financial trends and indications

justified in endeavoring to aid the European situation, which action had the subsequent effect of aggravating our domestic situation.

The closing of hundreds of banks throughout the country within the past two years has no doubt been the result of frozen assets and lack of liquidity. It had been hoped that the inception of the Federal Reserve System would prevent a recurrence of the events of 1907, particularly as regards the huge number of bank failures then precipitated. A study of the Federal Reserve Act clearly discloses why little assistance could be extended to the banking institutions of America. Under the present law, paper eligible for rediscount at the Federal Reserve Banks includes Government securities of the highest order, paper arising out of actual commercial transactions maturing in 90 days, and agricultural paper maturing in nine months. The Reserve banks may also buy or sell cable transfers, and gold and tax anticipation securities of their States and subdivisions.

It can be seen that the statute makes no provision for discounting a large portion of the paper held by the banks of America, especially that acquired within the past decade. This includes real estate paper, paper accruing from retail instalment selling and corporate securities. During the inflated period of 1928-1929, many corporations resorted to security financing with the result of a decline in the demand for commercial paper which meant that many of the banks were tied up with paper that was ineligible for rediscount by the Federal Reserve System. The formation of the National Credit Corporation within the past few weeks was mainly to alleviate the present situation by affording a means of rediscounting paper not now eligible at the Central Bank.

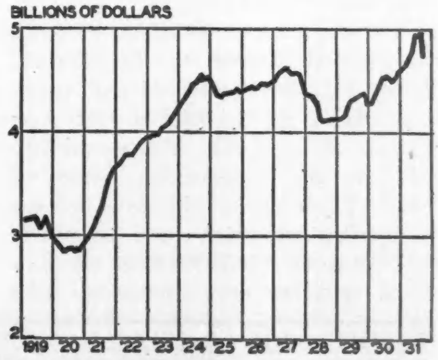
The next Congress will no doubt consider revising the statute so as to profit by the experiences of the present depression. It would be rather unfortunate if the bars were lifted so that long-term paper would be rendered qualified for rediscount. According to one of the leading monetary authorities who helped frame the Federal Reserve Act, bond securities are not a safe basis for bank note circulation, for it hardly enables the banks to redeem these bonds within a short time. At present, according to this authority, a good portion of the discount paper is redeemed before many of the newly issued notes upon which it is passed have actually come back for payment.

Some provision should be made to broaden the rediscounting powers of the Federal Reserve so as to enable it to meet an emergency such as was experienced during the past two years. It should be left to the discretion of the authorities in power, although there seems to be quite some objection of too liberal discretionary powers granted to the authorities.

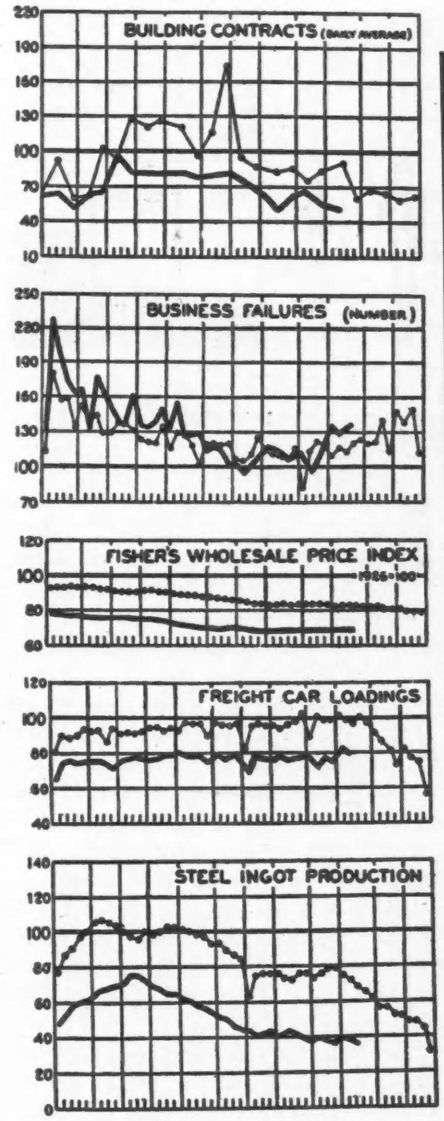
One of the lessons that can be learned from the recent happenings, particularly the immense withdrawal of gold, is that Central banking officials should not have permitted the heavy accumulation of gold for the account of one country and thus create the potentialities for an unsound structure in the event that that particular nation should decide to withdraw all its gold at one time, which has practically materialized within the past.

with the exception of Fisher's Index, U. S. Department of Commerce charts (right) are based on 1923-1925 average = 100

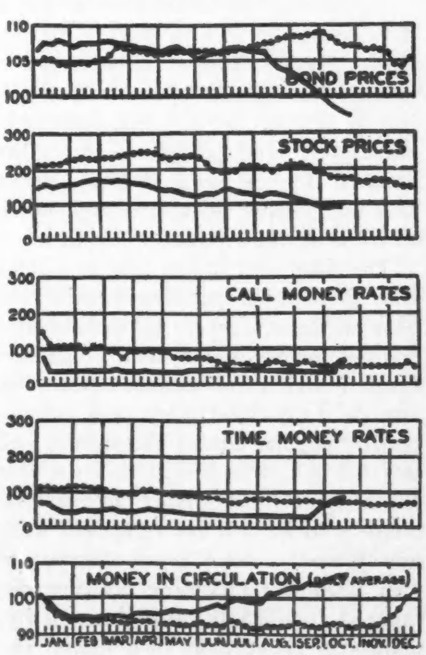
monetary gold stock of the United States (end of month figures—September preliminary) by N. Y. Federal Reserve Bank.



BUSINESS INDICES

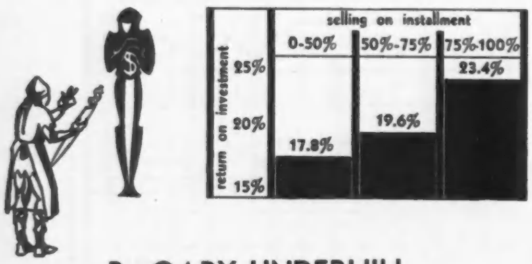


FINANCIAL INDICES



old time payment

centuries of usage prove the soundness of permitting the buyer to pay with profits derived from the purchase



By GARY UNDERHILL

Installment selling is far from being the new-born babe of modern business it so often is thought to be.

It is said that Marcus Crassus (c. 115-33 B. C.) amassed part of his enormous fortune by buying or building houses in the outlying districts of Rome and then selling them on the installment plan. As early as about 1750, Chamber's Encyclopedia was sold on deferred payments. With the introduction of the McCormick reaper about 1836, agricultural implements began to be sold on the installment plan. In 1856, Edward Clark, one of the partners of the Singer Sewing Machine firm and later president of the corporation, originated the system of selling sewing machines on the installment plan.

It seems that the installment plan of selling furniture was inaugurated in this country about a hundred years ago. The story is told that a New York merchant, the founder of the firm of Cowperthwait & Son, was in Europe buying for his store. He was invited to a reception given by Margaret, Countess of Blessington (known as "The Gorgeous Lady Blessington"), who numbered among her personal friends Lord Byron, Charles Dickens, Jerome Bonaparte, and nearly all the other famous men of her time.

This lady had begun life as a poor Irish girl, but through sheer force of her physical beauty, wit, and personality, had become one of the shining lights of London and Paris society. Naturally enough, Lady Blessington was not especially popular among the members of her own sex, who hinted that she was not altogether respectable; so that the people who went to her receptions were mostly men. Among other reasons, the men liked this charming creature because she could talk with them all intelligently about their own special interests, whether it was war, business, literature, hunting, or other pastimes.

When the New York merchant was introduced, she asked him whether he had tried selling his furniture on the installment plan, and gave him so vivid an account of the success the plan was meeting in Paris that he resolved to try it as soon as he got back home.

The sale of liberty bonds on deferred payments was a very vital factor in war-time financing. Now the practice has spread to automobiles, radios, household appliances, and hundred of other articles; it has been adapted to the payment of doctors' and dentists' bills; and business corporations are buying machinery and equipment on the installment plan, budgeting the cost in order to maintain a strong cash position.

According to the latest estimate of the Chamber of Commerce of the United States, annual retail sales in the United States amount to approximately $53,000,000. The estimated installment sales are $6,000,000,000, although possibly running as high as $8,000,000,000.

In determining the importance of installment sales in this country, it should be remembered that if they amount to $6,000,000,000, approximately 25% of this amount is paid down in cash at the time the sales are made. Furthermore, the contracts average less than twelve months in maturity and are being liquidated all the time. It is safe to say, therefore, that the unpaid balances on installment paper at any one time are only about $2,600,000,000.

The Department of Commerce, in its semi-annual Census of Distribution, found that installment sales of furniture during the last half of 1930 were 75% of the total sales, as compared with 71% in the corresponding period of 1929. There was no substantial increase in repossessions, which rose from 10.8% in 1929 to 12.8% in 1930. In the electrical appliance field, installment sales were 70.4% in 1930, as compared with 71.2% in 1929, repossessions rising .8 of 1%. In the jewelry business, installment sales for the last half of 1930 were 26.7% compared with 25.7% in 1929, and the repossession rate did not move up at all.

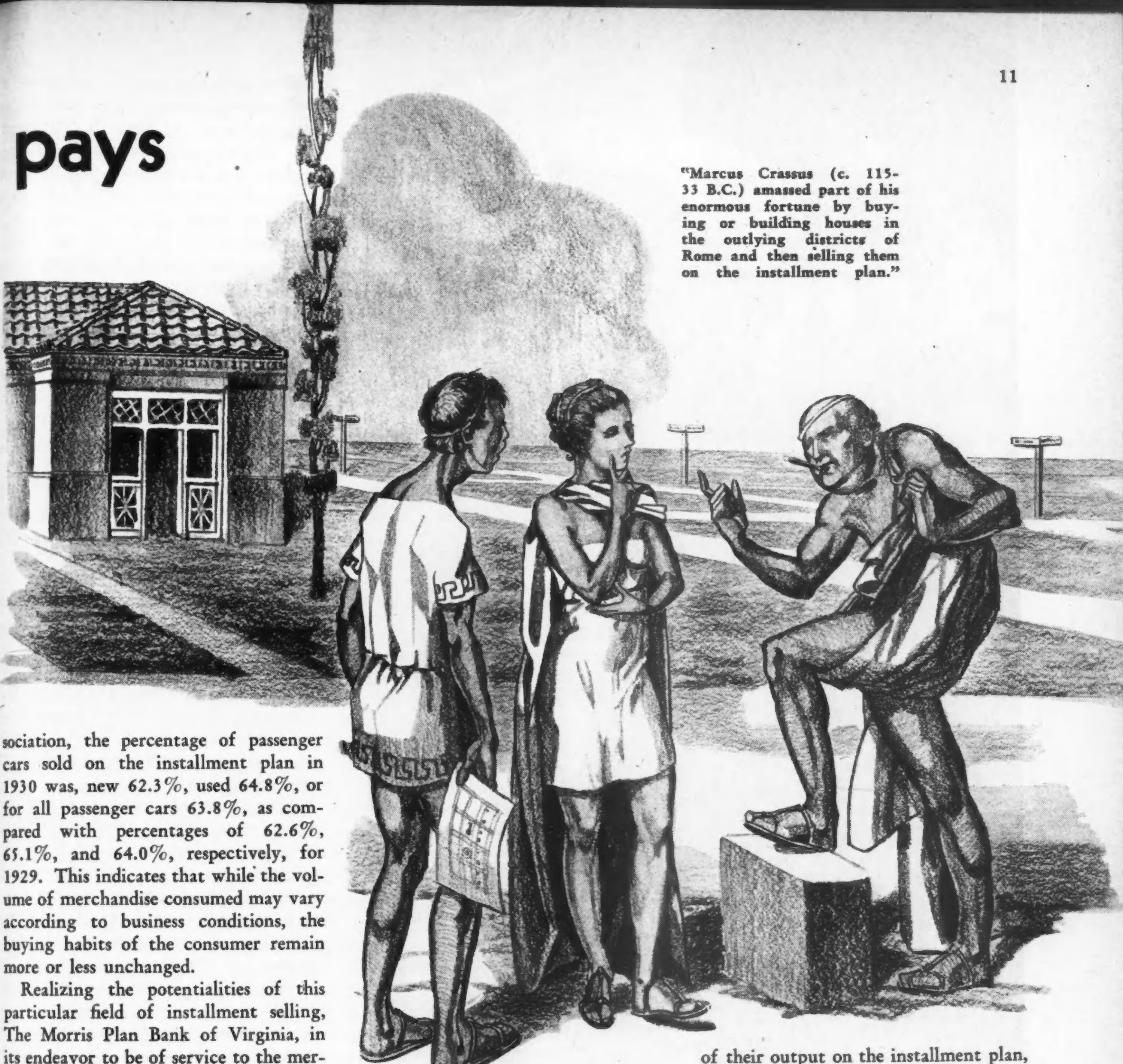
In the inquiry of the Federal Trade Commission into the house furnishings industry (report dated January 17, 1923), for 355 specialized furniture retailers, it was found that in 1920 stores selling 75-100% of their merchandise on installments averaged 23.4% return on their investment; those selling 50-75% on installments averaged 19.6% return; and those selling under 50% on installments, averaged only 17.8%. For 1921, a year of depression, the rates of return were 9.2%, 8.7%, and 5.5%, respectively. The average net profits on amount paid for merchandise sold in the furniture departments of fifty-one department stores for 1920, classified according to percentage of installment sales, were: 75-100% installments, 18.4%; 50-75% installments, 14.7%; under 50% installments, only 6.7%. So that it would seem that the more installment business a furniture store does, the greater is the return.

A survey undertaken by the Dry Goods Economist revealed that not only has the installment plan been adopted in practically every department store in one way or another, but in many cases it has added measurably to the store's merchandise turnover and increased its profits.

Many manufacturers who have hitherto let their dealers direct their own selling policies are now practically forcing all dealers, by national advertising campaigns, to sell on time payments.

The percentage of new and used cars sold on installments has undergone very little change in the past four or five years. According to statistics compiled by the National Automobile Dealers As-

pays



"Marcus Crassus (c. 115-33 B.C.) amassed part of his enormous fortune by buying or building houses in the outlying districts of Rome and then selling them on the installment plan."

sociation, the percentage of passenger cars sold on the installment plan in 1930 was, new 62.3%, used 64.8%, or for all passenger cars 63.8%, as compared with percentages of 62.6%, 65.1%, and 64.0%, respectively, for 1929. This indicates that while the volume of merchandise consumed may vary according to business conditions, the buying habits of the consumer remain more or less unchanged.

Realizing the potentialities of this particular field of installment selling, The Morris Plan Bank of Virginia, in its endeavor to be of service to the merchants and consumers in its territory, sponsored a survey of the time sales of income-producing machinery and equipment dealers in Richmond.

Some years back the purchaser of machinery or other industrial equipment found it impossible to buy except on terms of thirty days net. Today, however, a number of manufacturers will allow the payments to be spread over a period of many months. There is the example of the manufacturer of mechanical refrigerating equipment whose sales for the year totaled $120,000. He inaugurated the installment plan, and his volume rose to $1,200,000 in the following year and to approximately $3,000,000 the second year.

A manufacturer of short-haul electric and gasoline locomotives found that his standard terms prevented his getting his product into brick yards as a substitute for mule teams. A plan was worked out for him by a finance company whereby the brick yard paid 10% of the purchase price down and the balance in twelve monthly payments. The brick yards practically paid for the locomotives out of the first year's savings in operating expenses. One steam engine manufacturer built up a profitable business by taking payment for his product directly out of the savings effected. A well-known oil engine builder has found such a savings payment plan equally successful. It means increased business to the manufacturers and increased savings and profits to the purchaser.

It has been estimated that manufacturers of laundry machinery sell 95% of their output on the installment plan, and that manufacturers of printing machinery sell 90% of theirs. One national finance company lists over fifty types of income-producing industrial, mercantile, and labor-saving devices whose distribution it is now financing on the basis of installment credit.

A great many sellers to the industrial markets, however, still have failed to grasp the sales opportunities lying in the offer to let a new equipment item pay for itself from savings it actually produces in the buyer's plant. Conservatism and mental inertia seem to be the chief obstacles to the adoption of deferred payments by more industrial concerns. Many sellers still believe it unethical to sell their accounts or to seek outside aid in financing their customers.

In spite of these adverse influences, installment buying offers large possibilities where means of ready capital stands

(*Continued on page 36*)

'an advertising agency deals in talent' and yet . . .

the advertising agency acts as banker for its clients and as such must have financial statements and credit reports which clearly show each prospect's true position 'standardized financial statements are inevitable' for..

advertising credit

by J. H. EYDELER

It is fundamentally important to employ sound credit methods in analyzing a financial statement. Business has become so highly specialized that it is essential that we know and understand thoroughly the common practices employed, policies and intricate phases used in the different fields. We must learn to understand their problems as we understand our own. Upon this basis it is possible to compile mercantile agency credit reports which will be of material value and assistance to advertising agencies, since they will be prepared in such a way as to conform with the needs of each and every individual industry or business seeking credit accommodation.

The agency credit and financial men must obtain the much needed facts and conditions under which an industry operates, on account of a variance of methods and procedure employed in different kinds of businesses. They must be familiar with the buying and selling markets of a given commodity, terms on which purchases are made or terms on which goods are sold. These vital and important facts must be known and dealt with in extending credit, as otherwise working capital might be tied up over a long period of time.

The present styles of financial statement are exceedingly complex, and they lack comprehensive data. While the antecedents are of importance, we are anxious to know how successful a concern has been over a period of years, and about its management, goodwill, patents and whether or not it is at any given time in a liquid position to pay its bills on discount data. A moral risk should not be taken too seriously in passing of credit, because it will not pay a debt in case of bankruptcy.

Agency men are confronted with difficult problems in analyzing a mercantile financial statement, because no attempt has ever been made to classify the reports as to kind and type of business, such as manufacturing, trading, mining, wholesale, retail or any other business. Our problems differ and become more complex with each kind of enterprise.

Mercantile credit agencies will eventually be compelled if they are to survive, to standardize their financial statements according to specific businesses, rather than geographically. In this way, we will be able when analyzing a statement to detect at a glance any weakness or unusual practices of a concern without just guess work. We would also be able to determine, in comparing a statement with that of a competitor,

whether or not they were operating profitably, according to volume of business that they were doing.

Let me illustrate my point by taking the advertising agency as an example. An advertising agency deals in talent, whereas a manufacturer purchases raw material and manufactures an article for sale. The advertising agency places with a publication, for his client, an advertisement to appear, let us say, during the current month. The publisher extends credit to the agency, not to the client, with the understanding that the invoice must be paid by the agency on discount date. Now, the agency is the one who assumes the credit risk, and it is expected that the client will pay his invoice to the agency at least five days before the agency is expected to pay the publisher. For the preparation of the advertisement, writing of copy, placing of orders and other incidentals, the agency is acting as banker for the client, for which it receives as compensation, the usual 15% agency commission. Even the cash discount allowed by the publication is passed on to the client.

Let us suppose that the client is unable, for some reason or other, to pay cash for his indebtedness on due date. Do you think that the agency is supposed to accept a note in the place of cash? Why, of course not. It would soon go out of business, unless it had an unlimited amount of surplus working capital. Notes do not belong in the classification of current assets in all kinds of business, especially in that of an advertising agency, unless it is a purchased short term note.

An agency cannot afford to carry on its books any deferred or past due accounts, because when advertising agencies seek recognition from publishers, they are required to render a financial statement showing conditions as they exist, and if it is found that they are carrying any frozen assets, such as notes or past due accounts, they are automatically deducted from working capital and not considered as a current asset.

Anyone familiar with the operations of an agency can detect immediately, by looking at an agency financial statement, what the approximate amount of current accounts receivable should show by adding to current accounts payable 15% representing agency commission. If the then figure or result was excessive, it would reveal that that amount was practically past due the discount date.

An advertising agency must always be in a liquid position to pay its bills promptly, otherwise it might be subject to losing its recognition with publishers. If it is unable to pay on discount date, it might be compelled to pay cash with order, which would be the only alternative if it wanted to do business. This might put the agency in an embarrassing position with its clients, and might result in losing an account. Furthermore, the cash discount is forfeited. The question might be asked—would the client be willing to pay to the agency in advance of the advertisement appearing? The answer in all probability would be no—no, because the client has no way of determining whether or not the money was being spent for his particular advertisement. This might prove a hazardous practice.

Now, let us take, as our second illustration, a manufacturer of certain kinds of machinery. He probably buys on long term credit and sells on long term credit, accepting, let us say, notes from his customers extending over a period of from three to twelve months. In that case, the note is good and can be considered as a current asset. He might even go to his banker and discount the notes, whereas an advertising agent immediately puts his client on record with the publisher that the account is slow pay, should he accept notes in payment for advertising.

Another factor that must be considered is a seasonal commodity, where the outlay of cash for raw material is immediate, but the return of capital is in the future. There might also be a potential risk, if the goods were perishable. Then again, the fluctuation of prices might be something which would have to be contended with, if it were a competitive article.

The three cardinal principles a credit man must consider are: first, the ability to pay; second, the ability to sell; and third, the ability to pay bills when they mature, all of which means the ability of the debtor to buy at a price that will enable him to sell at a profit to a reliable and responsible wholesaler or retailer, and last of all, enable him to pay his bills when they become due.

No business is large enough to be able to afford to take losses. Recognition of this must always be foremost in the credit man's mind.

A financial statement or credit report is a common denominator in all business transactions and, therefore, cannot be treated too lightly.

The credit man is one of the most important executives in a corporation, because he can either help to increase the sales or decrease them at will, providing he has full authority and responsibility in extending credit, and if this be the case, he should have true and comprehensive facts before him to give the individual statement a rating which it is entitled to.

In some business enterprises the credit manager is usually the last one in the organization to be consulted when a new account is accepted. If the account proves successful, there is no cause for complaint; but, should the account go bankrupt, the credit loss reverts back to the credit manager, who, in the first place, had no voice in the matter of whether or not the account should be accepted.

A sound business practice which, in my opinion, should be adhered to is that, before an account is solicited, a credit manager should be given ample time to look up the credit rating to find out whether or not the potential client is in a position to pay for what he purchases.

There are altogether too many men wanting to go into business on a shoe string, in the hope that the concerns they buy from will carry them along. Sometimes this proves successful, and then again it does not. The credit manager who in such cases extends credit promiscuously, not based on the financial statement and facts, but more or less on a moral risk, thinking perhaps that some day the account would be worth while, is subject to credit losses.

Specialized, standardized financial statements are inevitable if we are to get the best results. They will assist us in bringing out concealed and fraudulent statements. Furthermore, credit losses become nominal and the undesirable operator would be eliminated.

We must keep in step with the constant changes and evolution of business if we are to be successful, and this can be done by sound credit determination.

the National Credit

a mobilization of liquid banking resources into a pool from which sound loans will be made during this emergency period to sound banks which have an overload of frozen assets to carry

by CHESTER H. McCALL

Just what is the National Credit Corporation? Why was it formed? How will it function? What is its basic purpose? Upon what principles will it operate?

The newspapers have not given us a clear, concise picture of the National Credit Corporation, within the confines of a single article or story. Business men are asking for a complete description and analysis of the National Credit Corporation in a single, understandable unit. This article is presented to our readers to fulfill this purpose.

The purpose of the National Credit Corporation is to mobilize a certain amount of our liquid banking resources into a pool or fund, out of which sound loans will be made during this emergency period to sound banks which have an overload of frozen or non-liquid assets to carry. The National Credit Corporation is like a great commercial sun shining through the clouds of depression to thaw out and melt the glacial obstructions that are preventing a normal functioning of business machinery.

The National Credit Corporation will have a fund of at least $500,000,000 for the purpose of rediscounting sound banking assets that are not at present eligible for rediscount at the Federal Reserve Banks. The funds for the corporation are being obtained through subscriptions to its renewable gold notes, of which an amount up to one billion dollars is authorized. Every bank in the country has been asked to subscribe two per cent. of its net demand and time deposits up to the legal limit.

The corporation will have a president, secretary, treasurer and a board of directors, one for each of the twelve Federal Reserve districts. The organization will be decentralized and will function and operate through regional clearing house or banking associations already existing or to be created to meet the new situation. As already stated, loans will be made to banks on paper that is not legally eligible for Federal Reserve rediscount. Accommodations will not be given to banks which are not in immediate need of cash. Each of these regional clearing houses or associations will have its own committee to pass on all applications for loans, before referring these loans to the corporation. For each loan made in each district all the other banks will become liable for fixed percentages in ratio in proportion to their subscriptions.

In order to borrow from the National Credit Corporation the borrowing bank will have to give its note, put up the proper security and present the note of the association of banks of which the borrowing bank is a member. This is proof that all loans will be carefully analyzed and inspected, and that the corporation will not become a dumping ground for unsound and poor non-liquid paper.

It has been stated that a fairly high interest rate will probably be charged in order to discourage the unnecessary use of the corporation's facilities. It is estimated that the interest rate perhaps will be approximately two per cent., about the rediscount rate.

Enough time has elapsed since the announcement and formation of the National Credit Corporation to appraise its results and effects. The great strength of the idea and plan is in its salutary effect upon wavering confidence and growing fears. An abnormal demand for credit has developed, not through any necessity for protecting a trade collapse, but because of the nation-wide demand of fearful people for the repayment of their money.

The National Credit Corporation immediately acted upon our business body like a hypodermic. Within forty-eight hours the Dow-Jones industrial average scored a net gain of 12.86 points, or 14.8%, the greatest advance on a percentage basis in the history of Wall Street. Commodity prices through the country rallied briskly. Cotton futures scored gains of thirty to thirty-five points. Our entire business structure reacted immediately and favorably to the entire program.

A good many people have expressed the fear that credit inflation may result from the institution of the National Credit Corporation program. It should be clearly understood that the corporation's mechanism is set up to mobilize available liquid funds for transfer to points where credit is needed and can be used advantageously. In this case, as in many others, inflation is more a psychological factor than an economic factor.

It is true that some of the banks to meet their subscriptions may find it necessary to draw upon the Federal Reserve System, thus increasing the amount of Reserve credit in use. Because there is more Reserve credit outstanding now than at any time since 1921, it is understandable that many people might raise the cry of inflation. Only a relatively small percentage of the banks contributing to the corporation fund will be forced to utilize Reserve credit. The availability of the corporation's funds for thawing out glacial trade centers will loosen a new flow of trade that will contribute immediately to a "flow back" of outstanding credit into the Reserve system. We must remember that an abnormal situation required the formation of the National Credit Corporation. If neces-

Corporation

sary, an abnormal or stimulating remedy should be used to accelerate trade action and bring about a cure for a subnormal business condition.

The National Credit Corporation will not accept the comparatively worthless frozen paper of banks that have failed, or banks, which through mismanagement have accumulated a load of depreciated paper. Many sound assets are helplessly imprisoned in the vaults of closed banks. It is these assets that the National Credit Corporation will release for normal, healthy activity again.

Primarily, the corporation is intended to release and liquify the frozen bank credit of the country. The effects on commercial credit will be almost as beneficial. Banks which must maintain a certain percentage of liquidity will now have available an additional margin of credit for commercial purpose. Companies that have found it difficult, or impossible, to procure much needed working capital will now be able to secure enough credit to meet their basic requirements. This newly released cycle of credit will be effective from the banks through the manufacturer, wholesaler, raw material producer and distributor to the ultimate consumer. Normally credit flows back into the Reserve System much more rapidly than it flows out. As a result of the corporation's stimulation of general trade activity the speed with which credit flows back into the Reserve banks will be considerably increased. Every business man knows how revitalizing this factor will be upon the general business status.

Throughout this analysis the psychological angle has been but slightly stressed. Confidence in banking leadership will be regained by the people generally. As the frozen assets come under the close scrutiny of our best banking brains many obscure errors and mistakes will be uncovered. Out of this entire program should grow a broader and clearer understanding of the strengths and weaknesses of our credit system. An improved, scientific technique should result. New light will be thrown upon the functioning of our Federal Reserve System. Credit elasticity should be brought into a greater measure of understanding and control.

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a back bone seems to have been required

For these reasons the formation of the National Credit Corporation stands out as one of the master credit strokes of this or any other age.

President Hoover's plan for ameliorating our business distress emphasizes the formation and functioning of the National Credit Corporation. It does, however, go much further. For your complete information this article is concluded with the President's nine points for bringing relief and recovery.

In announcing his program, Mr. Hoover said, "The prolongation of the depression by the succession of events in Europe, affecting as they have both commodity and security prices, have produced in some localities in the United States an apprehension wholly unjustified in view of the thousandfold resources we have for meeting any demand.

"Foolish alarm in these sections has been accompanied by wholly unjustifiable withdrawal of currency from the banks.

"Such action results in limiting the ability of the banks in these localities to extend credit to business men and farmers for the normal conduct of business, but, beyond this, to be prepared to meet the possibility of unreasoning demands of depositors, the banks are compelled to place their assets in liquid form by sales of securities and restriction of credits so as to enable

them to meet unnecessary and unjustified drains. This affects the conduct of banking further afield.

"It is unnecessary to specify the unfortunate consequences of such a situation in the districts affected both in its further effect on national prices of agricultural products, upon securities, and upon the normal conduct of business and employment of labor.

"It is a deflationary factor and a definite impediment to agricultural and business recovery.

"There is no justification for any such situation in view of the strength of our banking system, and the strong position of our Federal Reserve System. Our difficulty is a diffusion of resources, and the primary need is to mobilize them in such a way as to restore in a number of localities the confidence of the banker in his ability to continue normal business and to dispel any conceivable doubt in the mind of those who do business with him.

"In order to deal with this wholly abnormal situation and to bring about an early restoration of confidence, unity of action on the part of our bankers and co-operative action on the part of the government is essential. Therefore, I propose the following definite program of action, to which I ask our citizens to give their full co-operation:

I.—To mobilize the banking resources of the country to meet these conditions, I request the bankers of the nation to form a national institution of at least $500,000,000. The purpose of this institution to be the rediscount of banking assets not now eligible for rediscount at the Federal Reserve Banks in order to assure our banks, being sound, that they may attain liquidity in case of necessity, and thereby enable them to continue their business without the restriction of credits or the sacrifice of their assets.

I have submitted my proposal to the leading bankers of New York.

I have been advised by them that it will receive their support, and that at my request they will assume the leadership in the formation of such an organization. The members of the New York City Clearing House Association have unanimously agreed to contribute their share by pledging $150,000,000, which is 2% of their net demand and time deposits.

I have been assured from other large centers, as far as I have been able to reach, of their support also. I consider that it is in the national interest, including the interest of all individual banks and depositors, that all the banks of the country should support this movement to their full responsibility.

It is a movement of national assurance and of unity of action in an American way to assist business, employment and agriculture.

II.—On September 8 I requested the governors of the Federal Reserve Banks to endeavor to secure the co-operation of the bankers of their territory to make some advances on the security of the assets of closed banks or to take over some of these assets in order that the receivers of those banks may pay some dividends to their depositors in advance of what would otherwise be the case pending liquidation. Such a measure will contribute to free many business activities and to relieve many families from hardship over the forthcoming winter, and in a measure reverse the process of deflation involved in the tying up of deposits. Several of the dis-

(*Continued on page* 44)

the Board of Directors of the National Credit Corporation. Left to right, sitting: Daniel G. Wing, Boston; George M. Reynolds, Chicago; Mortimer N. Buckner, New York City and President of the Corporation; and Walter W. Smith of St. Louis; Left to right, standing: Alfred E. Mudge and Alfred A. Cook, Attorneys for the Corporation; Arthur E. Braun, Pittsburgh; Edward W. Decker, Minneapolis; Livingston E. Jones, Philadelphia; John M. Miller, Jr., Richmond; W. S. McLucas, Kansas City, Mo.; Frank B. Anderson, San Francisco; John K. Ottley, Atlanta; and Nathan Adams, Dallas.

Keystone.

specialized service builds credit bureaus

OWNER	OWNER	OWNER
STREET	NO.	WARD

MORTGAGOR	MORTGAGEE	AMOUNT	Date	Int.	PAYMENTS

ST.	NO.	WARD
OWNER		

FARM LOT	TRACT	BLOCK	LOT	DESCRIPTION

Assessed Valuation	Year	Assessed Valuation	Year	Assessed Valuation	Year

the real estate file card of the Syracuse Credit Bureau

Credit bureaus, both wholesale and retail, and retail in particular, have missed one of their biggest service opportunities in failing to provide complete and adequate real estate information for their members.

The Syracuse Credit Bureau, Inc., seeking new ways to serve its membership, originated and installed "Real Estate Files". This credit bureau has tried in every possible way to individualize its service to fit the various groups of business that it is called upon to serve. Every credit bureau should make a study of the needs of the various industry and business groups which it serves and so adjust its service to meet the requirements of that group.

Prior to 1927, the Syracuse Credit Bureau had no specialized service for the building industry of the city and trading area. Nearly all the lumber and mason supply dealers, and other dealers in the building field, were members of the bureau and used it for credit reports. If they wanted complete and properly checked real estate information they had to secure it through another source. They held meetings of their own and the information developed did not reach a central file. It took time to get property reports. The City Hall carried assessment records. The Court House carried title and mortgage records. With the many chances for error, a great many mistakes crept in.

In order to improve the real estate fact-finding facilities and to enlarge the activities of the bureau, they decided to compile what is known as real estate files. Inauguration of this new department proved to be a real undertaking, but was completed and in working order in about three months.

The card reproduced in connection with this article shows the kind of information available through the real estate files. They started out by making a card record of every parcel of real estate within the city limits. This card carries the name of the owner of the property and the nature of ownership, that is, whether the title is held jointly with someone else or held singly. It also tells the ward in which the property is located, what tract it is in, the dimensions of the lot, street number, and the current assessment of the property.

Two separate files are maintained, in one the cards are filed alphabetically according to streets and numbers, in the other the cards are filed alphabetically by owner's name.

They tell instantly whether a given name owns property and also how many pieces he owns, by checking the file under owner's name. In the other file they can learn who owns the property at a given address by simply looking in the street file and then the number. This card shows the owner's name.

The transfers of ownership are taken care of daily through the County Clerk's records of deeds and annually the assessment rolls are checked and all changes in assessment records are made.

They have a working arrangement with the City Assessor's office whereby the Bureau is notified of all changes in street names and all renumbering of streets and so on.

These files necessitate a large amount of detail work and are expensive to maintain, but Syracuse believes the results are worth the time and money expended. They found when they were completed that every real estate office was a prospect for service on what is known as a last owner's list and have derived a substantial income from this source. It has helped develop a group service in the building construction industry there that was never served before.

It is also of real benefit in their own office in compiling reports and the collection department profits greatly since they are able to determine immediately if a given debtor holds title to any property. Syracuse believes that this is a service that many Bureaus have overlooked and that if more of them knew its value they would start the compilation of the records. In their case the expenses of starting the files were met by an issue of ten year bonds bearing 5 per cent. interest. The bonds were sold to members of the Bureau only, and for the most part were bought by the building industry and the banks. The Real Estate Files have played no inconsiderable part in the rapid growth of the Credit Bureau of Syracuse.

the true cost of slow pay . . . . lies in lost potential profits on turnover

Period of Turnover	Cost of Article Plus Net Profit	Selling Price	Net Profit	Length of Credit	Loss Thru Lack of Turnover
1 mo.	500.00	700.00	20.00	9 mos.	191.66
2 mos.	520.00	728.00	20.80	8 "	170.86
3 mos.	540.80	757.12	21.63	7 "	149.23
4 mos.	562.43	787.41	22.50	6 "	126.73
5 mos.	584.93	818.91	23.40	5 "	103.33
6 mos.	608.33	851.67	24.33	4 "	79.00
7 mos.	632.66	885.72	25.31	3 "	53.69
8 mos.	657.97	921.15	26.32	2 "	27.37
9 mos.	684.29	958.01	27.37	1 "	——
Prompt Payment—total turnover 9 times	5291.41	7407.99	211.66		
Account not paid for nine months	500.00		20.00		
Loss of Turnover	4791.41	*Loss of Profit*	191.66		

by PAUL HAASE

In presenting an analysis of the costs of carrying slow paying accounts it is not the purpose of this article to trace the obvious circle, commonly known as the "vicious cycle", whereby it is shown that Consumer Black has an important function in the credit mechanism of the nation. Thus, if Consumer Black is slow in paying his debt, Retailer White is affected in his account-squaring ability and so it is passed on, like the baseball in a triple play, from Retailer White to Wholesaler Brown to Manufacturer Green.

Knowledge of this wide-spread effect on business in general is sometimes not enough of a stimulant, however, to make aggressive account-collecting loom as important as it is. By showing how it hits your business, in particular, where it hurts—the cash drawer—stimulation of slow payers may then be more specifically recognized as the important and very essential operation it really is.

You know the cost of carrying accounts includes these five general factors:

I Credit department operation costs.
II Collection costs.
III Bookkeeping costs.
IV Specific costs.
  a Bad account losses.
  b Interest on loans caused by credit granting.
  c Interest on funds represented in accounts receivable.
V Other costs.

In general, it is felt that unaccepted discount offers make up for the cost of carrying accounts, but just how much do slow payers cost your business? Have you ever stopped to figure it out? "Someone has estimated that the probability of recovery bears some relation to the age of the account," says C. Howard Saberton, Manager of the Adjustment Bureau of the Evansville, (Ind.) Association of Credit Men.

Accounts past due 90 days, it seems, have an estimated recovery of 65 per cent. Accounts past due 120 days have a recovery of about 50 per cent, while accounts past due 6 months have a recovery possibility of around 30 per cent. We cannot vouch for these figures, but at any rate they are interesting to study.

The problem of slow paying is not solely an American one. The business men of Merrie England have collection troubles too, it seems, for the "Commercial Review", an English publication, devotes considerable space in a recent issue to an analysis of the loss of profit through slow payers. On the face of it, the Review states, one is rather inclined to say that if a customer owes a business house $500, the amount he should pay for the concession should be the ordinary interest on that money, say, five or possibly six per cent. per annum. On going a little deeper into the matter, however, it will be seen that a very much greater loss than this results.

Let us take, for example, a trader who invests $500 in goods, which he hopes to sell for $700, and so to make him a profit of $20, his terms being 30 days. At the end of 30 days, therefore, if the account has been paid correctly, he should have $520 to re-invest in goods which he can again re-sell for cash at 30 days.

So the position goes on until the ninth month, at the end of which time the trader should have $684.29 to be re-invested, and his profit for that month would be $27.37. Let us suppose, however, that the first purchaser, who should have paid at the end of the first month did not, in fact, pay for nine months. The actual loss to the trader through the debt being overdue, for this period of time, would be $191.66.

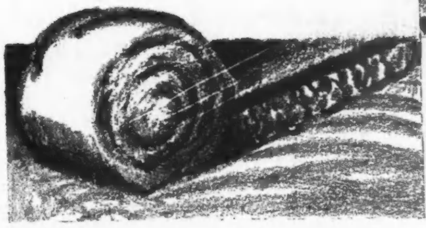
These figures are striking and are given to demonstrate the need there is for the prompt collection of accounts immediately they become overdue. The foregoing table follows the above indication in detail. By allowing accounts to run beyond the specified date for payment the trader is losing a very large amount of his profits through not being able to re-invest it in his business.

'it is unjust to allow an account to run past due without charging interest'

T. HOMER GREEN

charge interest

on past due accounts



In treating this subject of interest on past-due accounts I shall assume it is a new one, requiring argument to carry conviction and justification in making a charge of interest on past-due accounts. While it is a false assumption as to newness, after years of experience and reading numberless letters from customers wherein they advise that no other jobber does or even has charged them interest on open account, and after making due allowance for that class who considers it legitimate to add to their profits by juggling with the competition of jobbers as well as the truth, I am satisfied that it is a subject too much neglected not to merit our fullest consideration.

All jobbers and manufacturers buy their goods or raw materials in fixed and definite terms, either discount maturity, interest bearing note or acceptance. This in turn makes necessary the fixing of definite terms for their customers which, I believe, generally does full justice in its descent by giving to the retailer all that is enjoyed by the jobber. I shall conclude that all jobbers and manufacturers make settlement for purchases in one of the three manners and if not they are undoubtedly invited to do so, hence the terms upon which they buy means something—but how about the retailer?

Among our customers are many of that peculiar temperament who will pay interest on a note but object to an interest charge on past due open accounts and want all there is coming and then some, give us only a portion of their trade, object to note settlement, won't pay interest if they can avoid it and others who don't pay at all. They represent our special friends at the annual meeting when we are called upon to report what the harvest has been.

I put aside as too pernicious for second thought the possible argument that the object sought to be attained by an interest charge is covered by a scale of prices to different customers and I trust that it is a fair assumption that all customers enjoy the same prices and are therefore on an equal basis. If equality is the rule as to prices we have a level foundation on which to base conclusions.

Is it fair to the discounter, to the one who pays when due, or the one who makes prompt interest bearing settlements to allow others to use our money gratis thus requiring us to make an outlay for their benefit which must show reimbursement by added prices or a direct charge of interest on their accounts where it belongs? Is it fair to us, not afraid to claim our own, fearlessly standing for the right, to be confronted with the weakness of competitors and to be told that we are a glaring exception to the rule by charging interest? I believe you will agree with me that it is not fair and that those who have a high regard for justice and wish to be a part of the proverbial stone wall against omitting proper charges so vitally affecting the expense of doing business will not fail to charge interest on past due accounts.

Returning to the issue between us and our customers who object to an interest charge, what is the argument? Briefly this; the charge of interest is made to reimburse us in part for an outlay solely in their behalf which in all justice can only be covered by direct charge to their accounts. Justice is so manifest in this brief argument, that further discussion should not be necessary, but we have often been met with the reply from customers that they cannot or do not charge interest to theirs, hence we should not make such a charge. Our answer is that if they do not charge interest, they are in the wrong and should do so.

In my judgment the method of making this charge should be decisive, carrying with it the conviction that it will be collected. I believe this can be done successfully in one way only and that is by monthly charge and sending an invoice for it the same as for any article of merchandise. The system of making one or two charges a year as employed by some is so fraught with the uncertainty of collection, indicating weakness and indecision, that I am skeptical of favorable results. The charge is easily made, the collection is the test.

The method of making the charge is so much the nub of the whole matter that I cannot pass it without argument against the one or two charges per year plan. Many customers remit even amounts, disregarding even bills and making settlement of bills matured before the time to make the charge although they may have been carried for several months for substantial amounts past due. It would be a hardy credit man who would even charge interest after bills due had been paid. He would have serious trouble in collecting it. Interest appearing but once or twice a year, which often shows a considerable amount offers a much greater temptation for discussion, while if charged monthly they don't realize the yearly total, and will pay it. If one total charge is made they will likely refuse. If monthly charge is made one learns early the attitude of the customer and may decline to allow bills to run past due if

(*Continued on page* 40)

investments

chasing agencies, and other miscellaneous properties.

Portfolio investments consist of foreign bonds publicly offered in the United States, foreign bonds publicly or privately held in the United States, bonds of foreign corporations owned and distributed on stock exchanges, bonds of American subsidiaries of foreign corporations and of American corporations that lend abroad direct. This classification of investment is held primarily by individual investors in the United States or by investment trusts and financial institutions, which may hold this type of security. Short term loans and advances by American banks, deposits with foreign banks, and other items of this character due to residence abroad, are not included.

In Canada, at the end of the year 1930, the United States had $2,048,787,000 in direct investments, and $1,892,906,000 in portfolio investments, making a total of $3,941,693,000 in Canadian investments.

In Europe, we had $1,468,648,000 in direct investments, and $3,460,629,000 in portfolio investments, making a total of $4,929,277,000 in European investments.

In Latin America, at the end of 1930, we had $3,633,948,000 in direct investments, and $1,610,038,000 in portfolio investments. This makes a total of $5,243,986,000 for our Latin American investments.

A comparison of these figures will immediately show that we had $1,302,293,000 more invested in Latin America than in Canada, yet many people think our Canadian investments exceed our Latin American investments.

Our Latin American investments are $314,709,000 greater than our total European investments. A comparison of these figures reveals the relative American investments in Canada, Europe and Latin America.

The table above classifies the American direct investments in Latin America by type and geographical distribution. This classification while referring to 1929 figures gives an idea of the diversity of investments.

It should be noted that in 1929, our total direct investments were $3,518,739,000, while at the end of 1930 our direct investment total was $3,633,948,000.

An analysis of these figures will show that outside of the large investments in sugar, etc., in Cuba and other territories, approximately 25% of these direct investments were in the communication and transportation fields. To give an idea of the populations served by American investments, one prominent American concern, at the end of 1929, served a population of 10,484,000 in eleven Latin American countries, ranging from 3,785,000 in Brazil to 127,000 in Venezuela. This is but a small percentage of the total of population of these countries, and even giving consideration to a reasonable percentage of remote, inaccessible and sparsely settled territories which probably will not provide fields for development in the near future, there still remain great potential possibilities.

As a comparison of the growth of interest in Latin America, the direct investments in 1913 were $1,300,000,000. In order to give a comparative figure of the importance of investments from United States in Latin America, the English investments amount to $5,889,000,000.

When looking toward the future of investments and business relations, the natural resources of Latin American countries must be taken into consideration, and the further development of these resources will have a material bearing, not only on the worth of present interests, but also on the future commercial and investment interests of our people in this territory.

As an indication of the resources of some of the basic commodities, the estimates in 1926 by the United States Geological Survey indicate that of the available petroleum in the world, the United States and Alaska had 7,000,000,000 barrels, as compared to 13,905,000,000 barrels in Latin America. The metric tons of petroleum produced in the United States in 1929 were 142,000,000, as against 33,000,000 in Latin America, leaving a great possibility for future development, particularly in such countries as Argentine and others, which do not have readily available fuel supplies.

Most of the countries of Latin America have vast natural wealth, and many of them great possibilities for future industrial and agricultural development. While much of this natural wealth is at present inaccessible, and not provided with adequate transportation or production facilities, some of the important items are of considerable interest.

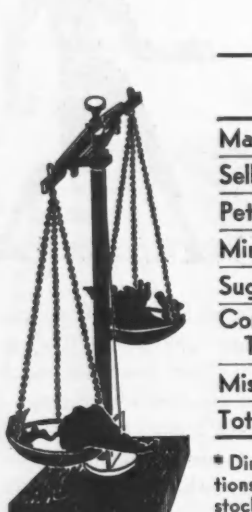
For instance, Argentine is usually

(*Continued on page* 49)

in reality Latin America is a commercial field more significant to the United States than either Canada or Europe

Latin American

AMERICAN DIRECT* INVESTMENTS IN LATIN AMERICA



Type	In Cuba and West Indies	In Mexico and Central America	In South America	Total (Type)
Manufacturing	47,058,000	13,549,000	170,352,000	230,959,000
Selling	15,060,000	9,867,000	94,291,000	119,218,000
Petroleum	34,592,000	209,476,000	372,490,000	616,758,000
Mining & Smelting	10,589,000	241,082,000	480,382,000	732,053,000
Sugar, Fruit, etc.	662,766,000	129,704,000	24,390,000	816,860,000
Communication and Transportation	223,699,000	297,977,000	365,448,000	887,124,000
Miscellaneous	59,987,000	15,438,000	40,542,000	115,767,000
Total (Area)	1,053,751,000	917,093,000	1,547,895,000	

* Direct investment means corporate investment by individuals or corporations in America controlled manufacturing and selling corporations, in the stocks and bonds of foreign controlled corporations, in petroleum lands, refineries, etc., in mining and smelting, public utilities, plantations, etc.

Grand Total: 3,518,739,000

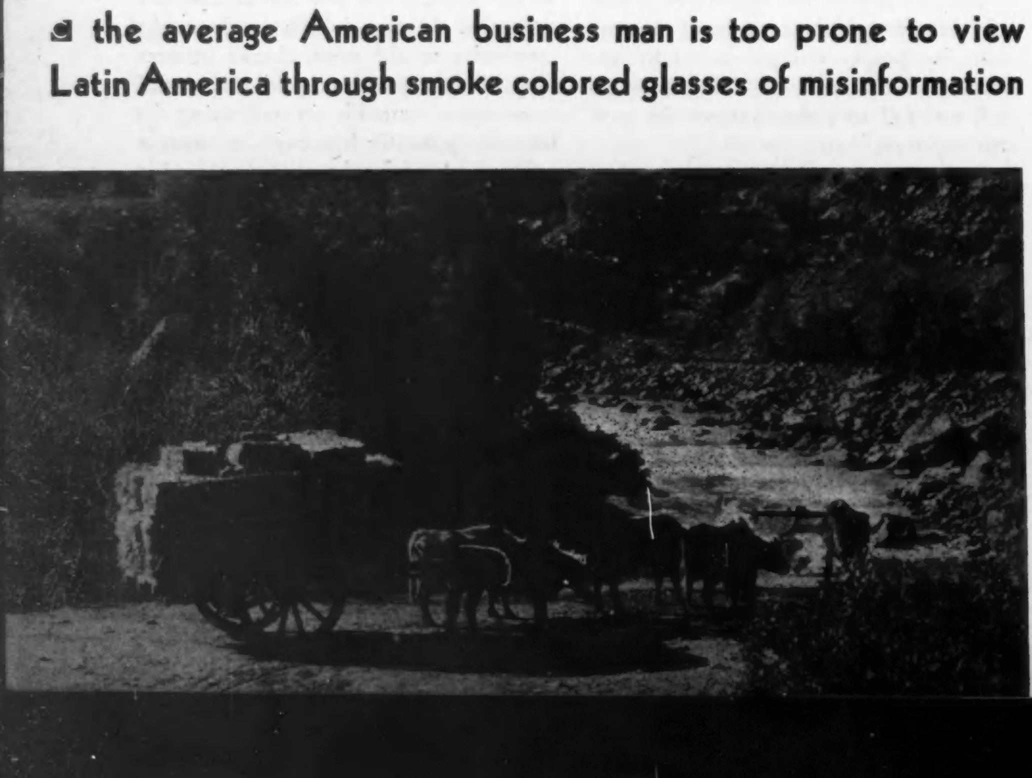
by W. S. SWINGLE

Business thinkers have been eager to trace our depression to international causes. Strong declines in our international markets have been set forth as one of the underlying causes for American trade decline. There seems to be wisdom in looking toward foreign markets for opportunities to re-establish the United States' trade activities and bring back a stabilized condition.

It is quite evident that a great many American business leaders have been looking at Latin America through smoke colored glasses. There has been too much mental astigmatism. The rapid shifting of political scenes in Latin America has cast a shroud of uncertainty around Latin America as a profitable present and future market. Yet there has been a group of far sighted leaders who have seen the potential values in a Latin American trading future.

We have heard and seen within the past few years, and particularly within recent months, unusual attention focused on Europe and other parts of the world as points which must receive our primary attention before the international picture will be placed in focus to form its proper place in the return and building up of our own economic situation. The perspective of many of those who realize the importance of the international angle of business may have been guided by popular demand and close racial contacts, rather than by a direct observation of the amounts involved through investment, business connection and other factors.

the average American business man is too prone to view Latin America through smoke colored glasses of misinformation



Check up on your knowledge of the Latin American business situation by answering these questions: How large are American direct investments in Latin America? Are our European investments greater than our Latin American investments? Is there more American money in Canadian developments and programs than in Latin American developments and programs?

Before continuing to read this article, jot down your answers to these questions and then check them against the factual answers presented hereafter.

There is no doubt that most business men believe that American investments in Canada alone, and in Europe alone, considerably exceed American investments in Latin America. These figures tell the story in answer to the questions above. Before considering these figures it is necessary to distinguish between direct investments and portfolio investments.

Direct investment means corporate investments by individuals or corporations in American controlled manufacturing and selling organizations, in the stocks and bonds of foreign controlled corporations, property covering raw material, such as petroleum and mining, etc., plantations, public utilities, pur-

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9,000,000 bales as idle as the negro reclining on the three above . . . but the growers can not share his unconcern

the September forecast and the actual yield last year, computed from census ginning figures, follows:

State	Oct. 1, '31	Sept. 1, '31	Fin. '30
Alabama ...	1,385,000	1,288,000	1,473,287
Arizona	123,000	127,000	155,409
Arkansas ...	1,750,000	1,513,000	874,356
California ..	174,000	176,000	263,766
Florida	36,000	36,000	50,306
Georgia	1,350,000	1,311,000	1,592,539
Louisiana ...	850,000	860,000	714,529
Mississippi ..	1,740,000	1,500,000	1,464,311
Missouri	246,000	239,000	150,955
New Mexico.	94,000	95,000	98,462
North Caro.	730,000	715,000	774,734
Oklahoma ..	1,195,000	1,254,000	853,584
South Caro. .	929,000	929,000	1,000,892
Tennessee ...	536,000	501,000	376,912
Texas	5,100,000	5,094,000	4,039,136
Virginia ...	39,000	41,000	41,952
Low. Calif. .	32,000	......	......
All other States	7,000	6,000	6,467
Total U. S.	16,284,000	15,685,000	13,931,597

A comparison with previous October estimates and actual harvests in recent years reveals the following:

Year	October Estimate	Actual Harvest
1931	16,284,000	....
1930	14,486,000	13,931,597
1929	14,915,000	14,824,861
1928	13,993,000	14,477,874
1927	12,678,000	12,956,043
1926	16,627,000	17,977,374
1925	14,759,000	16,103,679
1924	12,499,000	13,627,936
1923	11,015,000	10,139,671
1922	10,135,000	9,762,069
1921	6,537,000	7,953,641
1920	12,123,000	13,439,603

The slightest ill has many proposed cures. When the ill is major and serious the cures and remedies are increased tenfold. As they gain in number they gain in absurdity. But somewhere in the mass of palliatives there are a few real ideas for treatment and prevention of similar sickness. So with the cotton situation.

Washington press advices reveal that the Federal Farm Board has received hundreds, perhaps thousands, of plans for handling the present and future of the cotton over-production dilemma. It is stated that the proposals have been divided into forty-seven categories for study by the board's economists. The main trend is destruction or curtailment.

The Farm Board itself issued a ludicrous suggestion—bury each third row—in August and the planters turned around with a counter-suggestion that was ridiculous enough to gain its effect. Said the Dixie growers to the Farm Board—dump your holdings of some 3,000,000 bales into the ocean and thus relieve the market from the fear that this quantity will hang over its head like a sword of Damocles, a potential death weapon.

The cotton situation is being considered only from the angle of price boosting. Very little attention is paid to the fact that cotton goods are needed by the entire world and that millions and millions are inadequately clothed. Few, if any, are suggesting the improvement of the cotton situation by the encouragement of market increase, the stimulation of consumption.

The reason for the lack of such proposals is, of course, because the increasing of consumption is a complicated problem and any amateur economist can see the obvious elements in a plan to relieve the cotton problem by destruction or curtailment.

Yet if the entire South and Egypt were to plant no cotton at all next year, supplies would still be adequate for two full years with present consumption demands as they are!

The United States will have this year 25,000,000 bales. Other lands are adding 12,000,000 bales to the world supply from the present crops. Outside carryover is 5,000,000 bales. That gives us a total of 42,000,000 bales at the end of the crop year.

If we assume that Egypt and the United States grew no cotton next year—and in these two countries alone is there any talk of curtailment—then Russia, Soudan, Brazil, Peru, Argentina and other cotton growing centers would still add next year a total of 11,000,000 bales. And that assumes no increase in their production which is hardly probable if they heard of the Egyptian and American cotton holidays. Thus at the end of next year we would have at least 53,000,000 bales of cotton!

But in the meantime cotton would be consumed. This year total consumption was around 22,000,000 bales. For two years it would mount to about 45,000,000 bales—which would leave a reserve of 8,000,000 bales. And in the meantime our foreign markets would be dying. Accordingly we must produce on a competitive basis or educate the farmer to plant other things, and thus gain more independence, as we cease to export.

Out of the numerous plans of past months has come a plausible one, known as the Adams plan, which was confirmed in late October and is getting underway. It stipulates that over 7,000,000 bales will be held off the market until next July; 3,500,000 by growers and an equal amount by the Farm Board of its holdings under purchase or by contact with cooperatives. The agreement also includes a promise to care for about half as much next season if acreage is cut.

This plan uses the bankers as a club for gaining cooperation; planters who do not agree to its formula will receive

(*Continued on page* 44)

cotton is king no more

"the ill is major and serious ... the cures increase tenfold ... but somewhere in the mass of palliatives there are some real ideas for treatment and prevention of similar sickness ... 'the most constructive move thus far taken': the Adams plan"

first of a series of basic commodity studies
by GILBERT PARKER HAYES

Way down South in the land of cotton, old times there are not forgotten. And for that reason, more than any other you may develop, Cotton is King no more.

King Cotton's empire today is a region of doubt and fear, uncertainty and near-desperation. For King Cotton is king in name only. Foreign invaders, the chief of which is the Land of Egypt, and domestic pretenders to the throne, among which is Prince Rayon, have brought about changes in needs, changes in demand, changes in consumption of his people's crop. And so we find Cotton enthroned still, but in the distance is a dull rumbling—ominous, portentious, depressing. For the king's people have little of bread or cake, a profitless crop crowds their fields, taxes are constant, and necessity may force a change in loyalty.

But old times there—the good old days—are not forgotten and in a day of six cent cotton the children are taken on knee and told of the days of pappy's youth when the sun shone always, the world was gay and bright, women did not vote, prohibition was unthinkable—and cotton sold for twenty cents a pound!

Ah yes, the good old days may help the fallen prince forget the paucity of his present state but such thoughts do not fill the gasoline tank for a trip to market, cannot cover the hole in the roof when the rain comes down, are of little practical use when a banker sends his reminder about interest charges on the first mortgage and the second mortgage.

America's cotton problem arises from one main and several contributory factors. The biggest straw that is breaking the camel's back is over-production. Other straws that do not lighten the load are debasement of the fiber's quality, a slight decrease in consumption, and the increased production abroad which cuts down the size of the export market.

The export factor has always been important for prior to the World War it accommodated a yearly average of approximately 8,000,000 bales, during the war around 5,000,000 bales annually, from 1921 a climbing total that rose from 7,000,000 to almost 10,000,000 in 1926 and then sagged almost without interruption from that high mark to approximately 7,000,000 bales in 1930.

America has been losing its position, in the past few years, of supremacy in world cotton. Statistics of consumption of foreign and American cotton in September of this year revealed that for the first time in history the use of foreign staple exceeded that of the American product. In 1930 the totals were 11,134,000 bales of American and 11,700,000 of foreign cotton, the former total being less than the low of 1923 when the supply was limited. Even more significant is the fact that the foreign total reached a peak in a time when the world consumption was lower than for any year since 1923.

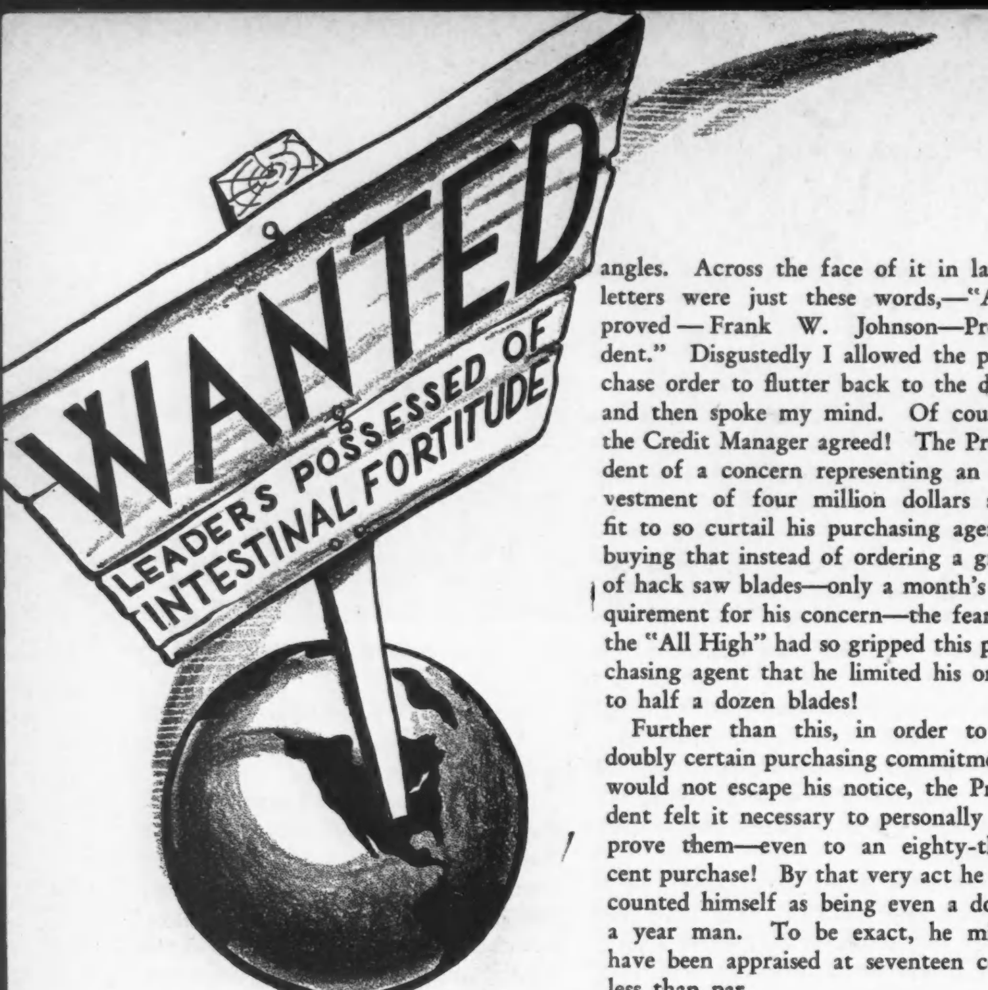
Deterioration of the domestic staple cotton is one reason for this decline in demand abroad for American cotton but it is not primary. Of main significance is the matter of price. America with the efforts of its cotton co-operatives and the Federal Farm board has endeavored to maintain a price for its product, pegged at a level higher than other nations have been selling it. India, Egypt, and Russia have stepped up production, with the prospect of previous high prices as the stimulus, and with the consequent increase in world production, price has been tackled hard and for a loss to all producers.

Therefore, with cheap cotton of equal, and in some cases better, quality than American cotton there is little logic needed to understand the decline in demand for the Dixie product. These figures should provoke serious thought. It must be realized that the American grower will find it necessary to compete on a price basis, that he will have to seek improvement in the quality of his staple or lose the dominance that has been his since the day Eli Whitney invented the cotton gin.

That dominance has been mainly one of quantity. But now there is a surfeit of cotton. There is an existing surplus of 9,000,000 bales from past crops; there is a crop of 16,000,000 bales ready for picking in this country. For a world that uses 12,000,000 American bales a year there are in America alone 25,000,000 bales at the end of this crop year. That does not include the crops of other nations which have been increasing and cutting into the American export total for some time.

When the government's crop report of 16,000,000 bales was made on October 1 there was confusion and consternation. That crop indicates an increase of 2,352,000 bales over the crop ginned in 1930. It also reflects an increase of 1,000,000 bales, or more than six per cent. above the average 1925-1929 cotton ginning of 15,268,000 bales. It is close to the record crop of 17,977,000 bales of 1926 when producers received 10.9 cents per pound for their cotton. On September 15, 1931, cotton prices were at the lowest levels for any year since 1894 when the average was 4.6 cents as of Dec. 1.

The October forecast of production of the principal states as compared with



by HENRY H. HEIMANN
Executive Manager, N. A. C. M.

"Half a dozen hack saw blades." I picked up the order and read it the second time. Sure enough, my eyes had not deceived me. Here was an order for half a dozen hack saw blades from a concern that normally bought this item in gross lots.

Instinctively I scrutinized the purchase order more minutely. It bore the personal signature of the purchasing agent. That was unusual, since ordering hack saw blades in that industry was about as much of an executive job as buying shoestrings. You usually whistle for Bobby—if you have a son —and he is sent across the street to get a pair of strings. The office boy, between the time it takes to fill inkwells, ordinarily writes out hack saw blade requisitions.

"What is the total amount of this invoice?" I directed my remarks to the Credit Manager. "Exactly eighty-three cents," he replied, rather sardonically, acquainting me with the fact that we were both thinking along the same line.

"Look the order over very carefully," he suggested as he returned it to me. This time I scrutinized it from all angles. Across the face of it in large letters were just these words,—"Approved — Frank W. Johnson—President." Disgustedly I allowed the purchase order to flutter back to the desk and then spoke my mind. Of course, the Credit Manager agreed! The President of a concern representing an investment of four million dollars saw fit to so curtail his purchasing agent's buying that instead of ordering a gross of hack saw blades—only a month's requirement for his concern—the fear of the "All High" had so gripped this purchasing agent that he limited his order to half a dozen blades!

Further than this, in order to be doubly certain purchasing commitments would not escape his notice, the President felt it necessary to personally approve them—even to an eighty-three cent purchase! By that very act he discounted himself as being even a dollar a year man. To be exact, he might have been appraised at seventeen cents less than par.

Had you examined him physically perhaps with the aid of a microscope you might have discovered a slight trace of what might have been a delicate backbone but which the depression had surely moulded into cheap putty. The sequel to the experience, however, really occurred after dinner. Perusing the paper, on the very first page was a full column interview with Mr. Johnson, President of the leading manufacturing concern. He suggested that the one quick and easy way out of the depression was for people to begin normal buying. And the very last sentence in the press report of his observation as to the way out spoke of the necessity of keeping down distribution costs. Purchasing, packing and shipping half a dozen hack saw blades when a gross was really required, was splendid evidence of the courage with which he carried out these constructive policies.

In another Mid-Western city I strolled into the purchasing agent's department. I had read a great deal about the appeal of the head of that particular institution to maintain wages. I felt that the best way to test the sincerity of this advice would be to learn whether the cook enjoyed his own meal.

It did not take long to get the words flowing from the portly purchasing agent. In just a few seconds of rapid fire conversation, in which of course, my hero, in true Pullman car style, recited his brave accomplishments, emphasizing that his savings through purchasing at reduced prices, and made possible through personal pressure, reached a substantial figure.

Allowing for the usual exaggeration that ordinarily accompanies a recitation of accomplishments of this kind, it still seemed to me to be a rather tidy sum. "This is a buyer's market, and believe me," it was King Hard Rock himself speaking, "I am riding them hard—and how." Momentarily he unclenched his fist, smiled broadly, and then referred to a casting order much as a mother would speak of her first born child—"That buy," he said, "saved the company my yearly salary and then some."

He named his source of supply, which was not unknown to me. It was one of those companies, of which only a few remain, the military type of management that has been notoriously close with labor. This type of company usually gets through by paying as small a wage as possible. When a man is entitled to an increase in salary or wages they usually dust off a title, and pay the help in glory, and incidentally it is that type which brings on all the trouble between labor and capital. The fact is, if that casting company had paid a reasonable wage they could never have filled the purchasing agent's order at the price he bargained for. Reasonable wages just could not be read into the figures.

I thought of the President's remark about the necessity of maintaining wages, and then the practical application of his purchasing department destroying wages through its practices.

If there has been one thing during this depression that has served to prolong the depression, it has been fear on the part of many of our so-called industrial leaders. A front page ballyhoo might indicate courage on the part of many but in reality there is a backstage fear and trembling that is almost unbelievable. A depression period presents a test of courage. It is failure to exercise courage—courage in meeting situations boldly, whether industrial or political that is retarding our recovery.

Webster defined courage as "That quality of mind which enables one to encounter dangers and difficulties with firmness, or without fear or fainting of heart." I think courage is best epitomized by its synonym "valor."

Humpty Dumpty sways on the wall
Humpty Dumpty's due for a fall
Fear-deferred troubles will swamp our "yes-men"
And men of real courage will lead us again

The courage of American pioneers who made it possible for us to enjoy this Nation and develop the highest standard of living ever known to man, has been the brightest chapter in the world's history. Not only did our pioneers have the courage to wrest from a stubborn soil their daily subsistence, but they possessed even a rarer form of courage, namely the ability to subordinate the money urge and to strive and to work for those things in life of more permanent and enduring value. If there was ever a time when the spirit of 1776 is needed, that time is today. If there was ever a time when that spirit was wholly absent that time has been the past two years,—when so-called leadership has quailed in its boots, almost thrown up the ghost and looked with longing eyes for some magical influence in Washington to wave the mysterious wand and conjure up a panacea that would lead us out of the wilderness.

Let's consider some of the problems that are confronting this Nation today. It is admitted on all sides that the Sherman Act has outlived its usefulness; that there should be some softening of anti-trust legislation; that the Act as it is operating at present is preventing the normal expansion of business and binding within uneconomic confines the growth and consequently the prosperity of business. Congressmen realize this situation, but counter with the statement that an attempt to soften the anti-trust laws would be political suicide and express a fear with respect to the reaction among their constituency, that removes them from even the fringe of statesmanship.

Imagine Patrick Henry whispering outside of the Halls of Congress, "Give me liberty or give me death," and shouting within "Long Live the King." Where are the men in our public life who have the courage to strive for a change of this law, who have the valor to stand up unafraid and acclaim that a revision will more quickly bring a return of prosperity? Is their reasoning sound and will their constituency fail to endorse them because they perform their duty as they see it? Has political expediency ever built any monuments save those of defeat?

Congress might well gaze across the sea and take a lesson in the matter of political courage. When the issue was clear and the very future of an empire was in the balance—when political ties and political parties had to be submerged to the welfare of the country—when friendships of life long standing were certain to be lost—was there straddling—hesitancy—pussyfooting or indecision? The "rising to the occasion" by Premier MacDonald was a heroic and courageous act, which will merit for him in England's history the title of "courageous Premier." He did not stop to weigh personal fortunes against the nation's need, but had the courage of his conviction and boldly asserted himself and by doing so performed a service for his country and fellow-men that can not be accurately weighed in our contemporary times. With what result? Not only did he not lose his personal popularity, but he brought even a greater measure of strength to himself and by his sheer courage won the admiration of the entire world.

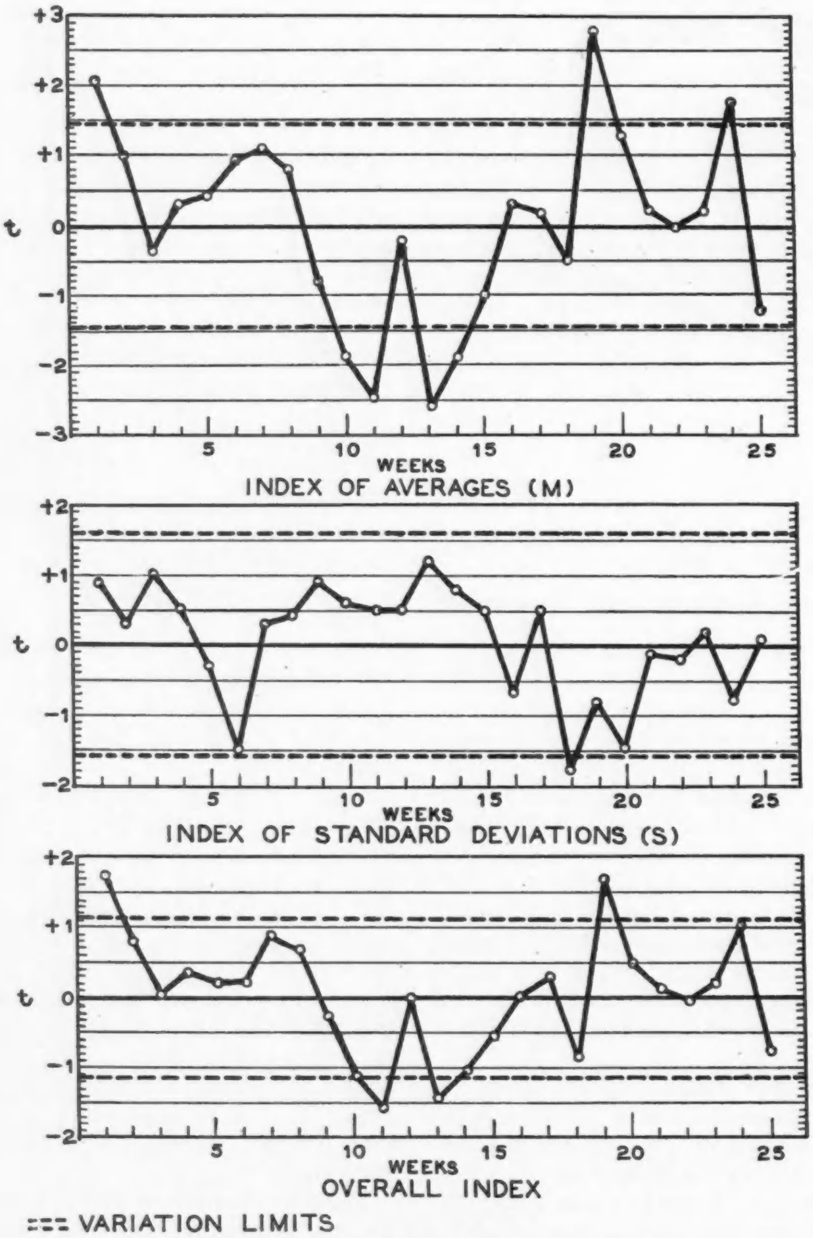
Where is the Premier of our Nation, who will seek to develop sound international commercial relations, who will stand up unafraid and not shrink from the accusation that he is building political alliances that will embroil us in the traditional quarrels of Europe?

The growing burden of taxation is the result of a lack of political courage. Constituents have demanded bigger and better pork barrels and Congressmen have fought and scrambled and swapped and traded in order to get what the dear folks at home wanted. The dear folks at home always felt that someone else would be paying the bill, but suddenly it dawns upon them that perhaps every Congressman was in this race and the keepers of the public treasuries were either doing a Rip Van Winkle or bludgeoned into unconsciousness, while the army marched in and feasted its fill. Today we are paying the penalty.

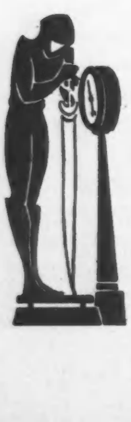
Where is the administration in a State that has the courage to tackle the matter of taxation and public expenditure of money giving rise to taxation, in the light of the present day situation? The political subdivisions of States were originally surveyed and established when transportation was limited to the horse and buggy stage. Our system of counties was planned so that the county seat would be available within a day's ride of any part of the county. The result is that we have a duplication of political subdivisions that constitutes a growing burden, and which private en-

(*Continued on page 36*)

progress



INDEXES OF BUSINESS ACTIVITIES
IN t UNITS
FIGURE 1



how to relate all phases of a business to discover what progress, if any, has been made

second of the series on credit calculus by HARRY G. ROMIG, statistical-research consultant

In any given business it is desirable to maintain a check on the departmental activities to determine whether the business as a whole is progressing or not. Volume of business has been used as a rough check, but it has been found that with the volume steadily increasing the business itself as a whole is not a success, since the proper balance has not been maintained between credit relations, overhead and sales. It is the purpose of this article to establish a simple method of relating all phases of an individual business so that the executive in charge can tell at a glance what progress has been made, if any, and where he should spend his time in strengthening his business as a whole.

In a previous article, "Credit Calculus", a measure of any department's activity was given. It was also pointed out how to determine two statistical values, namely the average (M) and standard deviation (s), a measure of the variation about the average or mean value, which statistics contain all the essential information with respect to a given department for any period of time. For any department or for any departmental activity, these same measures can always be determined as daily, weekly, monthly, quarterly or yearly values.

Having obtained sufficient information of this character, it is possible to establish expected values for these two statistics and thus keep a running picture of the actual performance as compared with the expected performance. In presenting the method of combining these results to obtain an overall measure, an actual example will be presented in detail.

The business activities of a firm are divided into five groups: (1) volume of sales; (2) accounts receivable; (3) collections; (4) expenditures; and (5) number of customers. Many other factors could be added but only these five will be used in order that the explanations do not become too involved.

We will assume that the averages and standard deviations have been determined by the method previously outlined and that the following values have been obtained for these five groups for

evaluation

the past 25 weeks.

Table I

Daily Averages and Standard Deviations for Five Business Divisions

Week	(1) in $1000 M	s	(2) in $1000 M	s
1	35.6	2.78	138.3	2.76
2	28.4	3.55	141.4	3.98
3	27.7	1.42	145.8	2.57
4	32.1	4.03	147.6	6.34
5	37.4	6.54	154.3	6.21
6	42.1	4.52	158.5	5.89
7	38.5	3.43	155.3	5.65
8	33.2	4.77	145.2	2.56
9	29.5	3.32	155.3	5.97
10	33.7	2.87	160.1	9.23
11	35.8	3.87	165.3	10.75
12	36.5	2.23	159.4	9.33
13	32.7	3.67	169.0	13.58
14	29.3	2.84	166.3	10.47
15	30.4	1.67	162.4	5.18
16	34.8	4.21	156.8	5.53
17	33.8	3.76	154.3	2.28
18	36.7	4.32	158.9	7.86
19	34.7	0.62	142.6	4.17
20	43.5	6.32	156.3	5.56
21	39.7	6.84	150.2	6.14
22	37.2	2.77	159.4	5.79
23	35.7	3.65	154.2	3.51
24	31.3	4.22	143.8	0.88
25	34.7	3.78	156.8	3.31
Average	34.6	3.68	154.3	5.82

(3) in $1000 M	s	(4) in $1000 M	s	(5) in $100 M	s
12.8	1.65	31.4	4.55	4.3	0.67
15.5	2.13	30.7	5.88	3.9	1.22
11.3	1.17	32.5	7.22	4.8	2.07
12.7	2.31	31.3	3.21	5.1	0.78
13.2	2.06	34.7	4.76	5.4	1.13
16.8	6.21	31.3	3.23	4.6	0.89
17.2	2.41	35.6	4.14	4.7	1.14
13.5	2.56	30.3	3.67	4.4	0.65
11.3	1.54	27.5	0.94	4.9	1.35
9.2	2.54	32.6	3.42	3.7	0.54
8.2	1.56	37.2	4.56	4.3	0.77
13.7	1.78	32.1	3.43	5.3	1.15
7.2	0.45	27.4	1.48	4.7	0.34
10.3	1.56	26.4	3.12	5.1	1.28
12.8	2.21	28.5	4.27	5.0	2.47
15.7	5.17	32.6	3.22	4.6	0.86
14.3	3.56	31.6	0.56	4.2	0.95
13.7	5.76	35.2	3.67	5.1	1.61
21.5	8.11	29.8	2.21	3.1	0.78
16.4	5.55	35.2	3.67	5.5	1.34
12.4	2.12	37.2	2.48	4.0	0.12
14.7	3.84	34.6	3.62	4.5	1.42
13.6	2.73	32.8	2.54	4.3	0.94
17.5	6.30	29.0	1.89	3.8	1.21
12.0	3.22	37.5	4.51	3.2	0.57
13.5	3.14	32.2	3.45	4.5	1.05

Since each of these average and standard deviation values have been determined from the six daily values obtained each week, it is necessary to consider whether any corrections for small sample sizes have to be applied to these statistics in order to determine the standard values. Since, in general, the distribution of average values is represented by the Normal Law curve, which is a symmetrical curve, no correction needs to be applied to the average.

The distribution of standard deviations is not a symmetrical curve, so it is necessary to multiply the above results by 1.1513, since the sample size, n, is 6.

Table II gives the correction factors which apply to the standard deviation when n is 100 or less. The first column gives the values which are used as multipliers when dealing with one value of the standard deviation found from n values, since it is assumed under these conditions that the value calculated is the modal value (the value which occurs most frequently). The second column gives the values which apply to the present case where we have found an average of a group of standard deviations, each determined from n values.

Table II

Correction Factors for Determining Standard Value of Standard Deviation

Sample Size, n	k_1, Multiplier for 1 Group	k_2, Multiplier for m Groups
3	1.7319	1.3820
4	1.4142	1.2534
5	1.2910	1.1895
6	1.2247	1.1513
7	1.1832	1.1259
8	1.1547	1.1078
9	1.1339	1.0942
10	1.1181	1.0838
11	1.1056	1.0753
12	1.0954	1.0685
13	1.0871	1.0627
14	1.0801	1.0579
15	1.0742	1.0537
16	1.0691	1.0501
17	1.0646	1.0470
18	1.0607	1.0443
19	1.0572	1.0418
20	1.0541	1.0396
25	1.0425	1.0314
30	1.0351	1.0259
35	1.0299	1.0221
40	1.0260	1.0193
45	1.0230	1.0171
50	1.0206	1.0153
75	1.0136	1.0101
100	1.0102	1.0076

The standard values for the five business divisions are:

Items	(1)
Average, M	34.6
Standard Deviation, s	4.24
s for Averages (n = 6)	1.73
s for Std. Dev. (n = 6)	1.22

Items	(2)
Average, M	154.3
Standard Deviation, s	6.70
s for Averages (n = 6)	2.74
s for Std. Dev. (n = 6)	1.93

Items	(3)
Average, M	13.5
Standard Deviation, s	3.62
s for Averages (n = 6)	1.44
s for Std. Dev. (n = 6)	1.02

Items	(4)
Average, M	32.2
Standard Deviation, s	3.97
s for Averages (n = 6)	1.62
s for Std. Dev (n = 6)	1.15

Items	(5)
Average, M	4.5
Standard Deviation, s	1.21
s for Averages (n = 6)	0.49
s for Std. Dev. (n = 6)	0.35

To determine whether the fluctuations of the individual weekly values are due to chance variations or are due to some cause which should be investigated and possibly eliminated, limit lines may be placed about the expected levels which will contain any desired percentage of the total number of observations. A common percentage value which is selected is 99.73%, which is spoken of as a probability of .9973.

If a value is outside these limit lines, this probability means that only 27 times in 10,000 or 1 time in 300 will you look for some cause and not find it. In many cases it is more economical to look for trouble more frequently even though it does not exist. Table III gives the probabilities associated with different ranges of values. The standard value of the standard deviation is the unit of measure, which is to be multiplied by the value of t selected for a given probability value.

The range about the average, M, is given by the relation, $M - ts/\sqrt{n}$—$M + ts/\sqrt{n}$, while the range about the average standard deviation, where d represents the average of all the values of s for the group of values, is given by the relation, $d - ts/\sqrt{2n}$—$d + ts/\sqrt{2n}$. Thus the probability of falling within the selected range for t equal to 3 is .9973, while if t equals 2, the probability is .9545.

Table III

Probability of Falling Within a Given Range for Values of t

t	Probability
.5000	.3829
.6745	.5000
1.0000	.6827
1.5000	.8664
1.6450	.9000
2.0000	.9545
2.5000	.9876
3.0000	.9973
3.5000	.9995
4.0000	.9999

(*Continued on page* 41)

the bankers'

? is there a need for a parallel coverage of loss through human frailty of credit men?

by J. SCHMIDT, Jr.

The scope of proper bonding protection for any bank, especially during the trying period through which we are passing, is a large assignment. In fact, it is of such magnitude that it becomes necessary to limit this mainly to two well-known forms of coverage, Dishonesty Insurance and Bankers' Blanket Bond Insurance.

It will, perhaps, facilitate matters if we first consider the smaller of these two groups, that is to say, the rural or suburban banks—the banks which, because of their location and other limitations, are obliged to exercise rigid economy in arranging for appropriate insurance coverage. In consequence, banking organizations in this group usually carry such specific forms of coverage as Dishonesty Insurance and Burglary and Hold-up Policies. These contracts lack much that is desirable in the way of proper insurance protection. They leave unprotected many illegal exits for the bank's cash and securities when accelerated by clever manipulators. It seems desirable to mention that announcement was made by a prominent financial journal that, within the past eighteen months, with respect to one bonding company alone, embezzlements had increased 17% in number, and this does not take into consideration the aggregate amount involved.

It is common knowledge that there are more trusted employees causing losses for very substantial amounts during the present period than ever before in the history of business. We, in the organization with which I have the pleasure of being associated believe in being optimistic, but you are all interested in facts and consequently I shall not attempt to dodge the statement that many of these losses, some for gigantic sums, seem to be going from bad to worse—not only as to amounts but as to the frequency with which they occur.

We would be derelict in our duty if we did not admonish you not to take chances by gambling with time, which is always an extremely dangerous thing to do where insurance protection is needed, and with that incalculable element of human nature, "honesty", or perhaps I should say, "dishonesty."

Previously it was mentioned that specific forms of insurance referred to and available for the rural or suburban bank leave many unprotected points; for instance:—

1. Failure to add the names of officers and employees to the present bond.
2. Failure to bond all employees.
3. Failure to require Corporate Surety Bonds instead of Personal Surety Bonds.
4. Failure to bond both active and inactive officers.
5. Failure to bond defaulting employees for adequate amounts.
6. Inability to fix individual responsibility for loss.
7. Misplacement of money or securities. (This applies only in instances where misplacement is carried under the bankers' blanket bond).
8. Abnormal or unexplainable shortage in teller's cash in excess of the normal shortage. (This applies only in instances where misplacement coverage is carried under the bankers' blanket bond.)
9. Sneak-thievery from teller's cage or elsewhere.
10. Non-compliance with conditions of the bond or policy.
11. Money or securities destroyed by fire or otherwise.
12. Loss through negligence on the part of any employee having custody of "Property" while in transit in accordance with provisions of the form of bond carried.
13. Loss of "Property", as defined in the bond, occurring on the day of its receipt and before the Insured has made the prescribed record thereof.
14. Loss sustained while "Property" is actually within any recognized place of safe deposit within the United States, and under some bond forms this coverage is still broader.
15. Loss sustained while "Property" is actually within the premises of any of the Insured's correspondent banks within the United States, etc.
16. Defalcation of an employee not covered under a specific bond or covered in an inadequate amount; always a matter of guess work,—at least twice.
17. Loss resulting from failure to enjoy the comprehensive Loss Prevention Service which accompanies our Dishonesty Insurance contracts or Bankers' Blanket Bonds, in regard to which there will be more later.

There is not a banker who will attempt to deny the importance of these points, which by no means tell the whole story. It has been frequently demonstrated that every banker owes it to himself as well as to his stockholders, depositors and the general public to obtain the best form of insurance which his bank can possibly procure. Consider, if you will, the unfortunate position in which a banker is placed if a loss occurs not covered by insurance in force, which would have been collectible under a Bankers' Blanket Bond if this form of protection had been carried. Unfortunate occurrences of this kind sometimes amount to disaster.

It seems only fair, however, to say that the smaller banks, of the rural or suburban variety, having comparatively few employees, because of their size and other limitations, may not be in position to purchase Bankers' Blanket Bond Insurance, although it should be remembered that such bonds, at very nominal cost, may today be obtained on a very popular form in amounts as low as $10,000. Now, then, the first problem to consider is what is the very small

blanket

the bankers' blanket thoroughly blankets the bank

bank to do about its insurance coverage? Usually we find that, because of its limitations, it can only purchase a good form of Dishonesty Insurance on preferably everyone, for substantial amounts, and proper Burglary and Hold-up protection.

In these circumstances these forms of indemnity, while not beginning to approach the coverage contained in a Bankers' Blanket Bond, are absolutely indispensable. This has been recognized by progressive legislation passed by several states, initiated in New England but not confined to this section of the country, which requires that "each officer" and "each employee" (whether active or inactive) be bonded. The Legislature of Connecticut, for example, has adopted new laws making it mandatory for every state bank, trust company, savings bank and industrial bank to give bond in a company authorized to transact a corporate surety business in that particular state.

It must be obvious, therefore, that the requirement that bonds be issued by a corporate surety means that personal suretyship has been relegated to the realm of antiquity where it has belonged for many years. Only too often personal suretyship has been found wanting at the time of need. It has resulted in many financial difficulties and in some instances bankruptcy and even death for people who have been foolish enough to risk their personal fortunes for a friend or for some acquaintance.

Not very long ago it was reported in one of the leading papers of this country that a bank president had filed a voluntary petition in bankruptcy, scheduling assets of about $10,000. and liabilities in excess of $700,000.—he had qualified as a personal surety. There are innumerable cases of this kind on record and, therefore, it seems unnecessary to warn you further about the many pitfalls which surround anyone who signs a personal surety bond. These pitfalls are being recognized by legislative bodies, with the result that corporate surety bonds in the bank field are now being insisted upon in many instances as a matter of law. Then again, it has been recognized by the powers that be, that no one, unless he is gifted with psychic powers, can make a selection as to who should be bonded and for how much. And this is merely one of the reasons why most of the new laws require that "each officer" and "each employee" be required to give a bond issued by a duly qualified Surety Company.

We shall, for the present, leave the smaller banks and give attention, if you will, to the larger organizations usually carrying Bankers' Blanket Bonds, of which there are a number of different forms. May I ask you now to bear in mind that the Bankers' Blanket Bond is really a combination of a large variety of coverages, such as—in its simplest form:—

dishonesty clause—Dishonesty on the part of any employee, whether acting alone or in collusion with others;

premises clause (*inside*)—Robbery, burglary, larceny, theft, hold-up or destruction, whether effected with or without violence, while the "property"

(*Continued on page 56*)

nation-wide collection and sales conditions

what they are at present
the outlook for the near future

CREDIT AND FINANCIAL MANAGEMENT offers its regular monthly survey of collections and sales conditions. It is based upon reports from large cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?" are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in each state, also what cities report a condition of "Good, Fair or Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	Collections	Sales
Ala.	Birmingham	Fair	Fair
Ariz.	Phoenix	Slow	Slow
Ark.	Ft. Smith	Fair	Fair
	Little Rock	Slow	Slow
Cal.	Los Angeles	Fair	Fair
	Oakland	Fair	Fair
	San Francisco	Fair	Fair
Colo.	Denver	Fair	Fair
	Pueblo	Fair	Fair
Conn.	Bridgeport	Fair	Fair
	New Haven	Fair	Fair
	Waterbury	Fair	Fair
D. C.	Washington	Good	Fair
Fla.	Jacksonville	Slow	Slow
	Tampa	Slow	Slow
Ga.	Atlanta	Fair	Fair
	Macon	Fair	Fair
Idaho	Boise	Fair	Fair
Ill.	Chicago	Fair	Fair
	Galesburg	Fair	Fair
	Peoria	Slow	Slow
	Quincy	Slow	Slow
	Rockford	Slow	Slow
	Springfield	Fair	Fair
Ind.	Evansville	Slow	Slow
	Ft. Wayne	Fair	Fair
	Indianapolis	Slow	Fair
	South Bend	Fair	Fair
	Terre Haute	Good	Fair
Iowa	Burlington	Fair	Fair
	Cedar Rapids	Fair	Fair
	Davenport	Slow	Slow
	Des Moines	Slow	Slow
	Ottumwa	Slow	Slow
	Sioux City	Slow	Slow
	Waterloo	Slow	Fair
Kan.	Wichita	Fair	Fair
Ky.	Lexington	Fair	Fair
	Louisville	Fair	Fair
La.	New Orleans	Fair	Fair
Md.	Baltimore	Fair	Fair
Mass.	Boston	Fair	Fair
	Springfield	Fair	Fair
	Worcester	Fair	Slow
Mich.	Detroit	Fair	Slow
	Flint	Slow	Slow
	Grand Rapids	Fair	Fair
	Jackson	Slow	Slow
	Kalamazoo	Fair	Fair
	Lansing	Slow	Slow
	Saginaw	Slow	Slow
Minn.	Duluth	Fair	Slow
	Minneapolis	Fair	Fair
	St. Paul	Fair	Fair
Mo.	Kansas City	Slow	Slow
	St. Louis	Slow	Slow
Mont.	Billings	Fair	Fair
	Great Falls	Slow	Fair
	Helena	Fair	Fair
Neb.	Lincoln	Fair	Fair
	Omaha	Slow	Slow
N. C.	Charlotte	Fair	Fair
N. J.	Newark	Fair	Fair
N. Y.	Albany	Fair	Fair
	Buffalo	Fair	Fair
	Elmira	Fair	Fair
	New York	Fair	Fair
	Rochester	Fair	Fair
	Syracuse	Fair	Fair
	Utica	Good	Good
No. Dak.	Fargo	Fair	Fair
	Grand Forks	Fair	Fair
Ohio	Cincinnati	Slow	Slow
	Cleveland	Slow	Slow
	Columbus	Fair	Slow
	Dayton	Fair	Fair
	Toledo	Slow	Slow
	Youngstown	Slow	Slow
Okla.	Oklahoma City	Slow	Slow
	Tulsa	Fair	Fair
Oregon	Portland	Fair	Fair
Pa.	Allentown	Slow	Slow
	Altoona	Slow	Slow
	Harrisburg	Fair	Slow
	Johnstown	Slow	Slow
	New Castle	Slow	Slow
	Pittsburgh	Fair	Fair
	Wilkes-Barre	Slow	Fair
R. I.	Providence	Fair	Fair
So. Dak.	Sioux Falls	Fair	Slow
Tenn.	Knoxville	Fair	Fair
	Memphis	Slow	Slow
	Nashville	Fair	Slow

State	City	Collections	Sales
Tex.	Dallas	Fair	Fair
	Fort Worth	Fair	Fair
	Houston	Fair	Fair
	San Antonio	Slow	Slow
	Waco	Fair	Slow
	Wichita Falls	Slow	Fair
Utah	Salt Lake City	Slow	Fair
Va.	Bristol	Fair	Fair
	Lynchburg	Slow	Fair
	Norfolk	Fair	Fair
	Richmond	Fair	Fair
	Roanoke	Fair	Fair

State	City	Collections	Sales
Wash.	Bellingham	Slow	Slow
	Seattle	Fair	Slow
	Spokane	Fair	Fair
W. Va.	Bluefield	Fair	Fair
	Charleston	Fair	Fair
	Clarksburg	Fair	Fair
	Parkersburg	Slow	Fair
	Wheeling	Slow	Slow
	Williamson	Slow	Slow
Wis.	Fond du Lac	Slow	Slow
	Green Bay	Slow	Slow
	Milwaukee	Fair	Fair
	Oshkosh	Slow	Slow

comments on collections and sales conditions

ARKANSAS: In Fort Smith both collections and sales are reported "fair" and from Little Rock we receive the very welcome news that there is a more optimistic note prevailing at the present time than there has been for some months, the price of cotton having a decided effect on conditions.

CALIFORNIA: San Francisco reports a slight improvement in collections since last month. In Los Angeles money seems to be available but requires a great deal of effort to collect. Sales have been showing a slight improvement.

COLORADO: As far as Colorado and Wyoming are concerned there has been little change since last month. Money has tightened up somewhat but the outlook is not discouraging.

CONNECTICUT: Collections nationally are found to be good. All through this state there is an indication of better business feeling and a lack of pessimism. Collections and sales in Waterbury are slowing up and local factories are making drastic retrenchments both in reduction of help and wages.

FLORIDA: Conditions in Florida, both sales and collections, are not improving any but sales to retailers are increasing slightly.

ILLINOIS: Chicago has just completed a personal survey sent to lists of firms representing all classes of business selling throughout the Middle West, and we are giving you below the results of their survey.

1. The volume of business for the first nine months of 1931 as compared with the first nine months of 1930.
   90% replied lower, an average of 29.8%
   10% replied higher, an average of 17%.
2. Collections the first nine months of 1931 as compared to the first nine months of 1930.
   86% replied lower, an average of 19.6%
   15% replied higher, an average of 16.5%.
3. The margin of profit on business for the first nine months of 1931 as compared with the first nine months of 1930.
   66⅔% replied down, an average of 25%.
   33⅓% replied up, an average of 20%.
4. To the question is Business "up" or otherwise—
   66⅔% replied "no"
   33⅓% replied "yes".
5. Orders booked today compared to same time last year.
   100% replied "up" an average of 30%.
6. The general prediction for business trend for the balance of this year is "Fair". For next year "Better".

INDIANA: Collection and Sales conditions in this state are fair and Terre Haute reports collections as generally good. This, of course, refers to wholesale and manufacturing lines and not to retail business. Sales in this city are not very good. Seasonal food packing

(*Continued on p. 39*)

changes since last month's survey

State	City	Collections	Sales
Alabama	Birmingham	Slow to Fair	Slow to Fair
California	Oakland	Slow to Fair	Slow to Fair
Connecticut	Waterbury	Slow to Fair	Slow to Fair
Dist. of Col.	Washington	Fair to Good	
Florida	Tampa	Fair to Slow	
Georgia	Macon	Slow to Fair	
Illinois	Galesburg		Slow to Fair
	Rockford	Fair to Slow	
Indiana	Indianapolis	Fair to Slow	
Iowa	Davenport	Fair to Slow	
	Des Moines	Slow to Fair	
	Ottuma	Fair to Slow	Fair to Slow
	Sioux City	Fair to Slow	Fair to Slow
	Waterloo	Fair to Slow	
Massachusetts	Springfield	Good to Fair	
	Worcester		Fair to Slow
Michigan	Detroit	Slow to Fair	
	Lansing		Fair to Slow
	Saginaw	Fair to Slow	Fair to Slow
Minnesota	Duluth		Fair to Slow
Montana	Helena	Good to Fair	
New Jersey	Newark	Slow to Fair	
New York	Utica		Fair to Good
North Carolina	Charlotte		Slow to Fair
Ohio	Cincinnati	Fair to Slow	Fair to Slow
	Cleveland	Fair to Slow	
	Columbus	Slow to Fair	
	Dayton	Slow to Fair	
Pennsylvania	Harrisburg		Fair to Slow
Rhode Island	Providence	Slow to Fair	Slow to Fair
South Dakota	Sioux Falls	Slow to Fair	
Texas	Fort Worth	Slow to Fair	Slow to Fair
	San Antonio	Fair to Slow	Fair to Slow
Virginia	Richmond	Slow to Fair	
	Roanoke	Slow to Fair	
Washington	Bellingham		Fair to Slow
West Virginia	Bluefield	Slow to Fair	
	Williamson		Fair to Slow

"this month's collection letter"

Dear Mr. Jones:

You have heard a good deal about co-operation, but here is a new one.

A priest met a man at his door one morning who asked for his breakfast and offered to do some work to pay for it. He insisted that he was not an ordinary hobo but really wanted to work for his meal.

The priest gave him breakfast then pointed out a pile of stones in the field saying, "Move those stones over by the fence. With the Lord's help you will be done about noon."

About an hour and a half later, the man walked in from the field and reported, "I have done my share, but the Lord hasn't shown up yet."

That reminds me that your check hasn't shown up yet.

Yours expectantly,

CREDIT MANAGER

We present our fifteenth "This Month's Collection Letter". It is unique and effective and an example of good collection letter thinking.

What the country needs is more good collection letters. Their importance in helping pull business out of a depression and then keeping it out is greatly underestimated. There is no short cut to profits as certain as collection letters that do their job.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering and which will later be presented to readers of CREDIT and FINANCIAL MANAGEMENT.

Last month our article "Good Jokes vs. Bad Bills" advocated the occasional use, when pertinent, of humor, sprightliness or jokes in the "please pay" correspondence of a firm. Without the full intent of stressing the use of jokes to a large degree in collection correspondence, we present this month the contribution by J. H. McKesson, an instructor in the Minneapolis Chapter of the National Institute of Credit.

Mr. McKesson's model letter makes use of a joke, which, obviously, has for its main purpose the rousing of a favorable, and in this case, humorous state of mind on the part of the reader. More than that, it stresses co-operation in three places and co-operation most certainly is just what a Collection Manager desires when he mails his letter. Yet by tactful and varied use of these co-operation pleas, Mr. McKesson's letter does not lose its point through overemphasis of one strong argument within the bounds of a rather short letter.

The letter is necessarily short because a long joke is for all practical purposes, and certainly in writing, an impossibility. Perhaps in only one place could a suggestion be made in this letter of Mr. McKesson's and that is in regard to the amount owed. It is not mentioned anywhere in the letter. As the letter stands it would not be wise to put it in the body of the correspondence, but the ever-available and always attention-getting post-script should not be over looked by credit managers. In this case and in many others a post-script can carry the total amount which the debtor owes. Little more than a plain statement such as "our books show a balance of $100 on October 1," need be made, for the significance of a post-script lies in the emphasis it can add by being isolated and by being concise and accurate.

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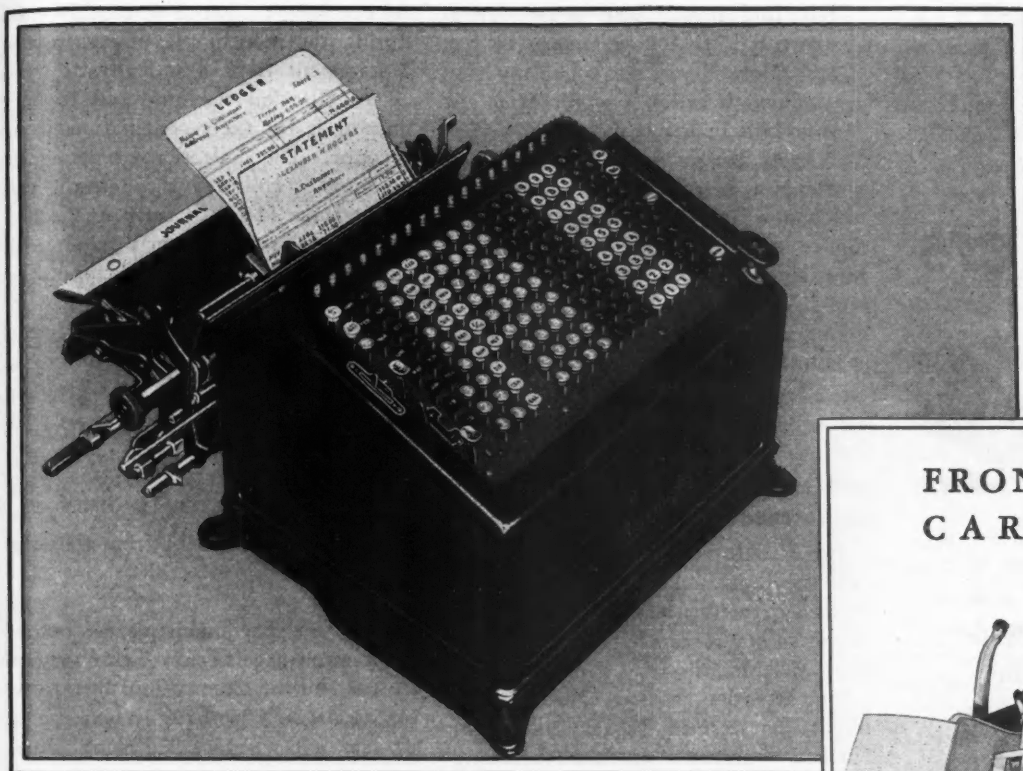
NEW BOOKKEEPING MACHINE



FRONT FEED
CARRIAGE

FOR GREATER SPEED AND EASE IN POSTING

This new development combines the speed of cylinder platen posting with the ease and accuracy of flat, front-feed insertion and alignment. The time required for inserting, aligning and removing forms is reduced to a minimum. Operator fatigue is greatly lessened.

Besides posting two or more records in combination, on such applications as accounts receivable, accounts payable, payroll, general ledger, distribution, stock records and so on, the machine also provides a full-width proof journal containing a complete transcript of all the postings.

Phone the local Burroughs office for a demonstration, or write for special descriptive folder.

The operator, seated at the machine, uses only one hand to insert, align and remove forms. There is no necessity for reaching to turn forms around the platen. The journal, remaining in the machine, automatically spaces up after each posting.

Burroughs

BURROUGHS ADDING MACHINE COMPANY, 6251 SECOND BLVD., DETROIT, MICH.

BACKED BY WORLDWIDE BURROUGHS SERVICE

our readers think

I wholly disapprove of what you say and will defend to the death your right to say it.—Voltaire to Helvetius

"Our Readers Think" is an open platform for our readers. Criticisms of all kinds will be published on this page. We believe in the strength and power of controversy. We believe in both brickbats and bouquets. There are no brickbats this month, perhaps we will have better luck next month.

like puzzles? then try this one

Here is a good query. You may judge for yourself just how serious the quoted letter may be taken, but it may be worth while to think out an answer to something similar should you receive a funny or flippant response to a collection letter. If any of our collection managers have met such a problem before, we would be glad to hear how they solved it.

Dear Sir:

Sometime ago I received a short note from one of our debtors to whom I had sent a collection letter. Since CREDIT AND FINANCIAL MANAGEMENT publishes a collection letter each month, which is very worth while, I wonder if you, from your authoritative viewpoint, can suggest how to answer a letter such as this which came in to me.

> Dear Sir:—I'd like to know what you mean by sending me a letter for bill due. I guess I know how to run my own business. Every month I put all my bills in a basket and then figure out how much money I've got to pay on my accounts. Then I blindfold myself and draw out as many bills as I have money to pay for. Now if you don't like my way of doing business, I won't even put your bills in the basket.

I took the man at his word and wrote him a serious letter about how much outstanding accounts cost us. I don't know whether he was being facetious or serious when he wrote it, but by taking the "joke letter" in a dignified way, I gained my point—the account was paid.

Very truly yours,
M. E. HARE

add: rackets that succeeded

From Baltimore comes word of a new kind of racket and since "forewarned is fore-armed" we pass this letter on to our readers.

Dear Mr. McCall:

Our attention has been called to what might be termed a new kind of "racket," operated in the following manner:

A customer of a member firm calls in person or orders merchandise by mail for cash, tendering in payment a check on a bank which has been closed.

Such checks when deposited have been returned unpaid, marked "Bank Closed."

We do not know the extent of this practice, or if it is likely to continue, but in any event, it was thought well to call it to your readers' notice for their protection.

Very truly yours,
IRA L. MORNINGSTAR.

monthly statements? well, yes and no

When Mr. Kase issued his dictum against monthly statements some weeks back he could hardly have conceived the amount of interest he stirred up. Pro and con the letters are coming into this office, and we hope next month to present a symposium of both sides, including in it the most pertinent comments. Here are two which give an indication of the trend.

Dear Mr. McCall:

Referring to the interview on page twenty-six of the September issue, several months ago I stopped sending statements except on current accounts; that is, where there is a debit or a credit showing for the current month, then a statement is forwarded to the customer.

I feel that a current monthly statement should be sent to the customer for checking the invoices and the credits during the month. I fully agree that a statement is of practically no value as a collection medium and its only purpose is for the reconciliation of the account. The collection of delinquent accounts is followed through the correspondence file with form and collection letters as the case may require. Of course, there is no general application to fit all requirements, but with us the mailing of only the current statements seems to work very satisfactorily and results in a considerable saving on the inactive statements which are not mailed.

Yours very truly,
WALTER H. SIMPSON.

And here is comment from the other camp.

Dear Sir:

We were very much pleased to read the item on page twenty-six of the September issue of CREDIT AND FINANCIAL MANAGEMENT; perhaps it was five or six years ago when we had nerve enough to give up the old crippled idea of monthly statements—if any of our brothers think you are crazy, then the writer, too, is in the same class.

Many of us are too satisfied with present conditions, being afraid to try out any new idea or scheme; the same old theory "what our grandfathers did so, too, will we" still seems to predominate. This does not mean, however, that we do not send monthly statements to some of the accounts, but they do not amount to over two per cent. of the total and in such instances the customers have given us standing instructions that they want monthly statements, so we do it—we won't argue with any of them!

Perhaps you would like to know what this step has meant to us. Instead of building up a monthly account and then waiting thirty or sixty days longer, we go after each invoice within five days after the thirty day maturity has passed and the pleasing thing about this is that the customer is invariably more disposed or able to pay part of an account than a larger amount and this has greatly reduced the number and amount of bad accounts. At times the

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? can the world travel the middle course ?

by JACQUE L. MEYERS

THERE is only one cause for economic deflation and that is economic inflation. The time to cure depression is before it starts—when it is in the making, so to speak, in the inflationary period which inevitably precedes it.

The body politic is in many respects closely analogous to the body physical. Those of us who recklessly dissipate our energy and vital forces frequently boast of our inexhaustible vitality and our powerful constitutions. So likewise during the recent inflationary period did we prate of "the new era", the abolition of old standards and of economic laws which were once held inviolate.

As one, profligate of his physical resources meets the inevitable consequences of his folly in disease and broken health, so does an economic world which pyramids nothingness on nothingness in the hope of creating values and which indulges in a riotous extension of consumer and other forms of credit, find itself suffering from unescapable economic disease which only time and the administration of proper remedies can cure.

The first essential is obviously an immediate discontinuance of such unwise policies. There is a natural tendency under such conditions to go to the other extreme and shut off credit to a point where industry is throttled and its recovery retarded. The wise course is the proper extension of all forms of credit, including consumer credit, based on a thorough and complete analysis.

To be more specific, there is a limit to which the average wage worker can legitimately mortgage his future through installment contracts. During the recent inflationary period, the retailer has been willing to sell him anything on the deferred payment plan, relying on his right of recapture to protect his investment, without investigating or being particularly concerned about the total of such contracts outstanding with his customer and their relation to his customer's potential earning capacity.

The consumer himself, particularly if of the less intelligent type, has no knowledge of the intricacies of such financial problems and is easily influenced by the high pressure salesmanship and the alluring prospects of ownership which are employed to break down his comparatively weak resistance.

A large increase in consumption founded on such a practice sets the wheels of industry spinning at a frightful pace. Work is plentiful, wages high and still further incentive afforded for the extension of this vicious principle. Manufacturing earnings rise with increased production. Speculation in the future becomes rife and the unthinking individual whose mind is bewildered and confused by such unexampled prosperity, hails the "new era" of perpetual affluence.

Then comes the inevitable crash! The gilded images turn to dust. The nonexistent values seek their level like the rivers after a flood. Business stagnates. Unemployment, poverty and suffering stalk abroad.

Unfortunate as the result may be, it has its uses in the scheme of things. Bitter experience is a hard teacher and we are of necessity brought face to face with the task of setting our house in order.

The policies and practices of the former day must be altered to meet new conditions. Declining commodity prices and receding volume of business must be met with decreased expense and distribution cost. We ourselves must devote our best thought to ascertaining the solution of our several problems and our best energy to the accomplishment of that solution.

The easy days with thought largely on personal amusement are gone, for the present at least, and hard, conscientious, consistent effort is required to insure success. And let it not be overlooked that success can be attained with the application of right principles under present conditions as under any other. In fact, the most fit and unusually competent have a more than proportionate advantage. While the shiftless and unintelligent competitor dissipates his energies waiting for the tide to turn, the up-and-doing man who has accommodated his business to existing conditions quickly outstrips him in the race for success.

How long will the depression last and what will bring about business revival? One man's guess is as good as another's. The keenest analysts have failed dismally in the past few years. It can be safely said, however, that there can be no substantial business revival until we have achieved at least a sort of stabilization; as long as commodity prices continue to decline and recession in wages and earnings occur, so long will industrial inactivity be manifest.

There has been much idle discussion of technological unemployment and the detrimental effect of the increased use of machinery. The same arguments were advanced in the period of the great industrial revolution which accompanied the introduction of machinery. Sabotage and the destruction of the machines did not alleviate the maladjustment which inevitably takes place at such a time, and the decreased employment of machinery and of efficiency methods will not bring relief now. The machine has tremendously increased the individual capacity of the worker and made possible high wages and short hours, and, as the use of machinery increases and better methods are employed, wages will tend to rise and hours of labor to shorten.

During the transitional period there will of course, be maladjustment and technological unemployment. The older experienced worker in a no longer existent occupation cannot readily accommodate himself to new conditions and is apt to suffer much hardship unless some plan is provided for his relief.

These are the thoughts to which our best minds are devoting themselves. Gerard Swope's plan no doubt leaves much to be desired and many defects will doubtless develop in actual operation. It is nevertheless obvious that industry must protect its workers and its major potential consumer if we are to enjoy any measure of reasonably continuous prosperity.

Job security, unemployment insurance, and old age pensions are far preferable to doles and bread lines, and plans must be effected whereby these ends can be accomplished by mutual participation if our present economic system is to endure. Entirely aside from economic reasons every dictate of social justice and decent regard for the wellbeing of all classes of society argue insistently for such relief.

As to what will tend to bring about a revival of prosperity, there has been much speculation. The introduction

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wanted

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terprises would never countenance. Branch offices in private industries instead would be located at strategic points, territories would be expanded so as to get rid of a widespread duplication of overhead, but our State Governments still function in terms of the revolutionary period, with the result that we have some four to five times the number of counties that seem necessary, with their ever growing army of officeholders and a payroll that is staggering, all bringing about a burden of taxation that rests uneasily on aching shoulders.

With modern transportation a county might well be defined by metes and bounds to take in a territory of 150 miles square, and if the county seat were located somewhat in the central portion of this area it would still be available in the same space of time as was the county seat some century and a half ago. This area would be most practical for rural sections, while urban communities would of necessity need a smaller area. The elimination of duplicate expenses for county administration if a plan of this kind were put into effect throughout the Nation would reflect in millions and millions of savings, and thus decrease the tax burdens. Here and there a few Governors have had the courage to suffer the political consequences of such a move, and boldly struck out and attempted it. But where is the man who is brave enough to call a meeting of all of the Governors and try and secure the adoption, for submission to the various State Legislatures, of this sort of program?

The recent pronouncement of the President with respect to the debt moratorium was a courageous act. Credit executives throughout the Nation have known of this principle, and it requires no Diogenes to understand that you can not force payment when the purse is empty and that a distressed debtor, if pressed too far, ends in the bankruptcy court whether that debtor be nation or individual. Have the business interests of this country sufficient courage to support the President in his plan to base payments on account of foreign debts in strict accord with the Nations' ability to pay? If American business possesses the valor it should, and has the resolution about which it so pridefully boasts, when is it going to agree upon a plan for foreign debt treatment and support a program as regards international obligations due nations that will be based upon possibility of performance rather than contractual obligation?

The railroads at the present time are suffering until the transportation system of the entire Nation seems to be in financial disfavor. The ribbons of steel that traverse our country parallel the civilization of this Nation. Without transportation civilization is held in check and remains close to the primitive stage. Yet the railroads, in this twentieth century, are operating upon a basis of tariff schedules that is as archaic as the ark itself. A scientific revision of the tariff schedules in their entirety is needed in replacement of the cumbersome, crazy-patch quilt that now governs the destiny of the very life-blood of commerce. But where is the political courage to come to the rescue of the railroads?

Where is the banking fraternity that possesses the courage to speak its mind upon the highly dangerous attempt to destroy the liquidity of the Federal Reserve System by softening its rediscount requirements? Where is the public that boasts the courage to cast its comments upon the statesmanship of the age? Where is the agricultural organization to ask relief from the slow poison of governmental panaceas for agriculture? Where is to be found the leadership that will stand up unafraid and meet the Russian situation? Courage is needed as never before, with radical legislation imminent in Congress, with all sorts of misgivings as to the turn dole legislation will take, as to the effect of legislation upon utilities.

If the time was ever here when we might turn back and contemplate what those who have preceded us have accomplished and read of their courage between the glorious lines of history, that time is now. Depressions bring new leaders, since in times of stress the old leadership is rigidly assayed and usually found lacking and shoved into the discard. Periods of adversity create historical figures, and it is my opinion that the leadership of the future will scarcely contain among its illustrious list the front page celebrities of today. It is the sergeant in the army that frequently develops into the best general. There are a lot of top-sergeants in business today that are scaling the ladder, while those who have rested upon the lofty pinnacle, like Humpty Dumpty, are due for a fall. They are too busy supervising half a dozen hack saw blade orders and unconsciously thereby building new frames for the photographs of the real leadership that is courageously surging forward.

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old time payment pays

(*Continued from page* 11)

in the way of much-needed new equipment. In all industries and all sections of the country may be found obsolete equipment that is retarding the efficiency and profits of the plants. By means of the installment plan the needed equipment could be bought with a small initial cash payment, letting the savings effected through superior efficiency pay the balance.

The use of deferred payment contracts in re-equipping a factory with modern tools and equipment is as easily justified as the use by railroads of equipment trust bonds to finance installment purchases of rolling stock. Such equipment trust bonds have been for many years among the safest securities obtainable.

During January, 1930, the Bank of England subscribed some $2,500,000 to enable British finance companies to extend installment credit on a wider scale to buyers of industrial equipment. The Bank of England realized the importance of installment credit to the British industrialist and was willing to assist in the financing of a sound organization to provide such credit for users of productive equipment.

So long as invention continues to produce mechanical devices that can so cut costs or increase production as to pay for itself, once installed, it is obvious that a system of credit which will permit them to do so while the user gains the business stimulus resulting from their use, will ultimately gain acceptance in the industrial field on a scale comparable to that of its present use in the consumer field.

To be sound for installment selling, an article should meet the following requirements: It should be of relatively high value; should possess real utility to the purchaser; should be recoverable and salable in the event repossession is necessary; should be of sufficient permanence to outlast a reasonable period of payment; and it should not be an article which will tax the purchaser be-

yond his means for its upkeep. An exception to the general rule might be an article which has no substantial resale value, but which has a definite value to the purchaser extending beyond the life of the contract, e. g., a suit of clothes.

One thing which would contribute to the greater soundness of installment selling would be the education of the salesmen in the fundamentals of credit. Salesmen with some credit knowledge undoubtedly could get more cash in many cases and reduce the number of monthly payments by the exercise of a little tact and business acumen.

The danger in installment selling lies in the fact that when sales become difficult, the tendency is to grant credit to those who are not entitled to it or to grant too easy terms. It is unquestionably true that the merchants of today are trying too much to sell terms instead of merchandise. The result has been that too small down payments are required and the contracts are allowed to run over too long a period of time.

The merchants in the various lines, through their local cooperative associations, should set certain standard terms to be adhered to by all members of the association, or have all the paper handled through reputable finance companies and banks, which will in turn exercise the necessary supervision over terms in order to make them conform to sound economic principles. This would turn competition from terms to those things upon which it legitimately belongs, quality of merchandise and service.

Unsound terms mean excessive losses, and these losses have to be absorbed by the industry or passed on to the consumer in the shape of higher prices or financing charges. The consumers themselves ought to object to too easy terms being granted on installment purchases.

Having reviewed the practice of installment selling, the question arises, what are the relative merits of this form of merchandising?

It is hard to see why people criticize installment selling and approve the old-fashioned indefinite charge account which often runs for just as long or a longer period of time. The chief difference is that one provides definite terms for repayment and the other does not. So far as this is true, criticism of the plan does not seem to be very well founded.

Nobody has presented any genuine proof that any considerable portion of installment buyers are reckless in their purchases and commitments; or that installment buying has increased extravagance; or that a larger proportion of installment buyers default than is the case with charge account buyers. For every installment purchaser who overloads himself with obligations, there is an equal or greater number of charge account purchasers who do the same thing. As a matter of fact, a man is much less liable to commit himself for more than he can afford to pay for on the installment plan than he would be on open credit, when he has no definite obligations to meet.

It undoubtedly would be a godsend to merchants in general if a definite plan of payment were agreed upon by all customers. The fact that the installment debtor must make his payments on definite dates or have the merchandise repossessed forces him to meet his obligations with a great deal more promptness than if he had purchased the article and used the time-worn phrase which is the despair of so many merchants, "Charge it."

All types of people buy merchandise on the installment plan, many of them as a mere matter of convenience; and these people, being honest and anxious to pay their debts, with the further incentive of protecting their original investment and future credit, are generally in position to meet their obligations by recourse to savings and other assets. Matthew Sloan, head of the New York Edison Company, reported in 1930 that out of 40,000 electric refrigerators sold by his company on time payments, they encountered only seven or eight buyers unable or unwilling to complete their contracts!

The owner of installment paper has a prior lien on the article sold, and if trouble does come, has collected most or all of the reduction in the value of the article; whereas the open credit seller has no lien, has possibly collected nothing on account, and must take only his proportionate share of what is left for all creditors in general.

In an address at the University of Virginia Institute of Public Affairs, Mr. Braham, President of H. L. Braham & Company, said that: "Approximately 94% of all purchases of legitimate merchandise, sold by legitimate companies, the paper of which is purchased by properly organized finance companies, is paid for with but slight collection effort. Billions of dollars previously carried as open book accounts by merchants have exchanged places

(*Continued on page* 48)

paging the new books

reviews of the important books on business, to aid executives whose reading hours are limited.

this month's business book

THE WAY OUT OF DEPRESSION. Hermann F. Arendtz. Houghton Mifflin Company, Boston. $1.00.

You as a business man cannot find a wiser and saner way to spend a dollar than to send it to Houghton-Mifflin Company, 2 Park Street, Boston, with the request that you want them to send you at once their new book "The Way Out of the Depression", by Hermann F. Arendtz.

As Editor of CREDIT AND FINANCIAL MANAGEMENT I have defined an editorial policy that a book review should not be a sales talk or a sugar-coated ballyhoo about why the reader should buy the book. It is the magazine's business to tell you what is in the book—and then let you decide if you want to buy the volume. But here is a book that defies our policy—we must make an out and out recommendation that you buy "The Way Out of the Depression"—and at once.

As I begin writing this second paragraph it is 9:15 P. M. At 7 P. M. exactly I settled down in my chair to read the introduction and possibly the first chapter of Dr. Arendtz's study of the causes and cures of the depression. I did not stop reading until nine o'clock when I read "The End" on page 105. One hundred and five pages of common sense, economic interpretations, written in powerful, effective and understandable English—a combination that few economic treatises can give you today!

The prevalence of befuddled economic thinking has cast upon us a deluge of befuddled economic writing.

As soon as you read the first chapter of this book you know the writer has a destination. When you've completed the last chapter you haven't been fooled—he has reached that destination. Dr. Arendtz devotes his first eleven chapters to tell what caused the depression. The next ten and concluding chapters present "the way out"—and what can be done to keep us out and upon a reasonably stable basis.

In a fascinating, entertaining manner Dr. Arendtz leads the reader through the labyrinth of causes and reasons behind our recent great depression. From Saigon to China to India to England to America the reader follows the great stream of causes as traced by Dr. Arendtz.

Throughout the book the author attacks many of our popular economic beliefs—and proves them to be fallacies. He points out that "we must face the elementary fact that, if a general world adjustment to a lower price level is to be avoided, the price level must be raised by a substantial increase in the proportion of purchasing power—money—to the volume of production".

He constructs the general argument of his thesis upon purchasing power—and how it must be developed. He does not recognize over-production as one of the fundamental causes of the depression. Rather over-production is a by-product of the depression. The "way out" is based upon a plan of international bimetallism. By figures and charts he proves that the silver dollar has not been as violent in its fluctuations as the gold dollar. Bimetallism has always been couched in difficult and obscure phraseology. Dr. Arendtz clarifies and simplifies it for you.

Read this small volume of one hundred and five pages and you will get several startling and invigorating slants on supply and demand, over-production, purchasing power, the gold standard, the "hows" and "whys" of falling prices, the real causes of speculation, etc. "The Way Out of the Depression" is one of the most readable and worthwhile books yet written about our economic woes. It is practical. It goes someplace. And I am inclined to think that if the leaders of the world would follow its recommendations that something really beneficial might be done about our international depression. Pin a dollar bill to your letter head and send in to the publishers for this admirable business analysis.

—CHESTER H. MCCALL

dam the credit stream

THE BANKS AND PROSPERITY. Lionel D. Edie. Harper and Bros., N. Y. $2.50.

The author of this timely volume on central banks, their present position and their future developments, is one of the sound economists of the front rank in America. Accordingly, his book merits attention—but not for that reason alone.

"The Banks and Prosperity" is a pithy volume evaluating the position of banks in general and the great central banks in particular in the maintenance of that prosperity for which the world is waiting. Mr. Edie steers a courageous course through the troubled economic seas, that takes advantage of the winds and tides of the monetary and non-monetary schools of economic thought now current, and brings his craft into port safely.

The writer sees less cause for concern in the gold standard than in the unwarranted expansion of credit and the turbulence caused by its contraction at certain times. He therefore, advocates a planned control of this credit stream, thus taking it away from the fickleness and haphazardness of circumstances that ebb and flow without regularity. This credit control, Mr. Edie emphasizes, would be in the hands of the central bankers. But to do this a change in the attitude and philosophy of most present-day central banks would be imperative.

This well-rounded and penetrating analysis of a vital current problem deserves the consideration of anyone interested in the business of today and tomorrow. It is as timely as this morning's newspaper, as sound as today's dollar, and as readable as a best-seller.

—PAUL HAASE.

among those present:

JAPAN. Harold G. Moulton, with the collaboration of Junichi Ko. The Brookings Institution, Washington. $4.00—An economic and financial appraisal revealing a significant reason for Japan's advance—a program of centrally directed economic development over many years.

DAVISON'S TEXTILE BLUE BOOK. 1931 edition. Davison Pub-

lishing Co., New York.—Complete and comprehensive listings of manufacturers, dyers, finishers, dealers in textile lines in the U. S. A., Mexico and Canada. Your choice of a $4.00, $5.00, or $7.50 edition.

PERSONALYSIS. J. J. Theobald. Prentice-Hall, New York. $2.50—How to understand yourself, measure personality, and just what's what as to the importance in personality of health, economy, initiative, honor and honesty, enthusiasm, poise and posture.

PROBLEMS IN SALES MANAGEMENT. Harry R. Tosdal. McGraw-Hill, New York. $6.00—An almost entirely changed book in this, its third edition, that should be in the library of anyone selling anything.

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survey of sales and collections

(*Continued from page* 31)

helps some, but coal miners do not anticipate very much activity this winter. Steel is off as the foundries are producing auto parts. Glass business appears good. Clothing manufacturers report increased sales despite reduced selling prices.

Ft. Wayne furnishes us with the results of a survey made of the membership covering Northern Indiana, Southern Michigan and North-West Ohio, showing collections fair with some improvement over the month of September. The sales in this territory for the month of October are fair and some improvement noted. The improvement in collections would indicate the better established concerns have liquidated their stocks and are buying for immediate needs, maintaining ample cash position and taking advantage of discounts offered.

IOWA: Some cities in this state report Collections and Sales as "Fair", but the general opinion is "Slow". The condition in some of the cities it is felt is due to the closing of banks.

LOUISIANA: New Orleans furnishes us with the result of a personal survey sent out to concerns in various lines of business and summing up the replies received the condition of sales and collections in that city is "Fair".

MASSACHUSETTS: The report from Boston is somewhat varied. However, collections and sales as a whole appear to be fair, showing a slight improvement. Several wholesalers report sales fair and increasing, while at the same time they report collections fair with a slight drop-off, but practically holding their own. Worcester advises that sales show an improvement in some lines, but this is only seasonal.

MICHIGAN: In Detroit the pattern and tool shops are very busy, which is considered a very good augury for a bright future. Grand Rapids also finds employment in tool and die lines increasing, some of the shops even working overtime. However, most of this comes from auto manufacturing, and is temporary on account of new model cars.

MINNEAPOLIS: Minneapolis conducted a Collection and Sales survey among the members of various business concerns and the result showed "Fair" Collections and Sales in that territory. St. Paul states "A liberal policy is evident where seasonable carry-over is necessary; buyers taking care of current purchases and selling for cash or on short terms.

NEW YORK: New York State in general reports Collections and Sales are "Fair". In Utica during the past thirty days there has been a decided improvement in conditions which they report as good.

OHIO: Conditions throughout the state of Ohio seem in most cities to be slow. Youngstown reports the closing of three of the largest banks on October 15. This, of course, has a decided effect on sales and collections.

OREGON: Very little difference is perceptible in Collections. The average dealer requires more or less additional accommodation. In Sales, however, a little improvement is noted in some quarters.

PENNSYLVANIA: A compilation of the reports received from the cities in this state show "Slow" Collections and Sales.

TENNESSEE: Tennessee in commenting on collection condition states there is very little change during the past sixty days. Prospects for improvement are good, depending on the weather. Cool weather has a favorable reaction on both sales and collections.

TEXAS: Very fine reports for a bright future are received from almost the entire state. Considerable improvement has been noticed and it is believed collections and sales are on the upward trend.

A sharp mind needs constant practice just as a sharp knife needs constant whetting.

—C. H. M.

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You can avoid bothersome, embarrassing delays in getting checks cashed in the 24 big cities listed below. The United Hotel Credit Coin also saves valuable time in checking out. Unexpected demands for money can be met at once. With only your registered number on the coin, no one else can use it. Take advantage of this convenience. Send for your free coin right now —using the coupon below.

One of the extra services of these 25

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NEWARK, N. J..................The Robert Treat
PATERSON, N. J.......The Alexander Hamilton
TRENTON, N. J..................The Stacy-Trent
HARRISBURG, PA.................The Penn-Harris
ALBANY, N. Y...................The Ten Eyck
SYRACUSE, N. Y.................The Onondaga
ROCHESTER, N. Y.................The Seneca
NIAGARA FALLS, N. Y.............The Niagara
ERIE, PA........................The Lawrence
AKRON, OHIO.....................The Portage
FLINT, MICH.....................The Durant
KANSAS CITY, MO.................The President
TUCSON, ARIZ...............El Conquistador
SAN FRANCISCO, CAL.............The St. Francis
SHREVEPORT, LA......The Washington-Youree
NEW ORLEANS, LA................The Roosevelt
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TORONTO, ONT...............The King Edward
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WINDSOR, ONT..............The Prince Edward
KINGSTON, JAMAICA, B.W.I..The Constant Spring

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Kindly send me complete details and a blank for your Credit Coin.

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*Address*__________

m.e.thinks

I hope that I will never see
A man as busy as T. B.
He seldom does a thing, 'tis true,
But when he does, you can bet two
To one that, ere his job is through,
He, by his self-made ballyhoo,
Has made the rest feel tired too.

T. B. is sure he's smart, you know,
Because his brain is never slow
Devising ways so he can give
Others his work. Executive
Is what *he* thinks he is—the cluck!
It's not executive to duck
A job—that's called passing the buck!

Oh! that his too, too fleshy self
Would melt, thaw and resolve itself;
Or that the Law had not decreed
A canon 'gainst a worthy deed
Of murder in the first degree.
Just such an act could pleasure be
Enough for all eternity.

Let me, then, as a pharisee,
Pray I will never, never be
A great he-man executive,
(One who's too busy 'most to live)
One who can sit around all day
Then lift his baritone to say,
"I guess I'll call the day a day."

When you sit down to tabulate the people this country could do without, please to include the amateur executive.

An earlier generation called him Babbitt. Babbittry was a fad in name but not in truthfulness. The Babbitts, like the poor, are with us ever.

Our troubles today are as much the fault of these "would-be's" as any other factor. They work less for results than for appearances. Thus they are imitative, always trying to make an impression (getting across, methinks, they call it), consequently unoriginal, befuddled and without perspective.

If anyone is ready to pass a law, start a League Against, organize a Society for the Prevention of, or view with alarm there's a vote in this bailiwick from one who knows and suffers in silence—occasionally.

The open season for rabbits is at hand. Why not Babbitts?

—m. e.

charge interest on past-due accounts

(*Continued from page* 19)

interest is refused even to closing the account.

For thirty-five years of my experience in the wholesale grocery business, a charge of interest was made on the last day of every month, on every account on which bills were past due to an amount that would justify a charge of fifty cents or more and it was collected. An invoice was sent the same as other invoices and was included in the first statement sent thereafter. We found it was not so difficult to compute interest each month as it was to compute it correctly less often and accounts on which an interest charge should be made were not so likely to be overlooked.

My experience has been that monthly charge of interest has been beneficial to the customer in that it stirred him to an effort to collect his own accounts to enable him to pay his bills when due and thus save interest. I found that some customers would pay us promptly and cause the creditor who did not charge him interest to wait much longer for his money. One might charge a slow pay customer more for his goods than one who is prompt, but that would be an unjustifiable discrimination and in the end likely to prove a boomerang.

A jobber cannot, in justice to himself and all his customers, fail to charge interest from maturity on all past due bills. If one will compute interest at six per cent. on an account from maturity until date of payment he will be astonished to learn how short a time it takes to eat up the entire net profit.

It is an unfair proposition to furnish a slow pay customer any sum or capital in his business to compete with an equally good customer who pays promptly, unless the current rate of interest is charged and even then there is an element of unfairness in it. Not to charge is discriminatory as between customers and unfair to those who pay promptly. Omitting to make such charge places a premium on and is an incentive to slowness in payment.

A customer on one side of the street who pays his bills promptly, no doubt, is at times compelled to borrow from his banker to enable him to be prompt. A customer on the other side of the street who compels the jobber to carry his account instead of borrowing from his banker or collecting his own accounts, buys his goods cheaper than the prompt pay customer to the extent of the interest the jobber should but does not charge him and thus gains an advantage.

Do I hear you say that if you charged interest you would lose some of your best customers? My experience has proven that desirable customers are not lost by charging interest. We never inquired whether others charged interest. It made no difference to us whether they did or not. I do not remember of ever losing a desirable customer by charging interest but I do remember of many undesirable customers who eventually failed, who left us for the one whom they claimed did not make such a charge.

It is good, sound, practical business to charge interest. It saves the jobber his legitimate profit. From every standpoint it is unequitable and unjust to allow an account to run past due without charging interest.

Each year takes something from a person but it also gives something in return.

The really clever man is too clever to be clever.

C. H. M.

Standard five-dollar rooms at $3

Here's a smart, cosmopolitan hotel you will enjoy! Adjacent to "Loop" business center, yet away from its clatter and grime. Spacious, cheerful outside rooms with bath, shower, circulating ice water . . . and Servidor service (minimizing tipping). Parking and garage.

Restaurant and Coffee Shop
Write for illustrated folder.

Walton Place (Opposite The Drake)
Just East of Michigan

progress evaluation

(*Continued from page 27*)

Having now tested the data separately for each group, it is possible to establish an index based on averages or to establish a second index on the basis of the standard deviations. These two indexes may then be combined by weighting to give an overall index for the business. It is possible in this type of Index to select any cell width in terms of the multiples, t, of the standard deviations, which may appear desirable for the business in question. However, one that in general will be accurate enough and at the same time easy to compute is obtained by using the following cell divisions:

Table IV
Suggested Cell Boundaries for t Index in t Units

Boundaries	Midcell Values
−6.5— −5.5	−6.0
−5.5— −4.5	−5.0
−4.5— −3.5	−4.0
−3.5— −2.5	−3.0
−2.5— −1.5	−2.0
−1.5— −0.5	−1.0
−0.5— 0.5	0
0.5— 1.5	1.0
1.5— 2.5	2.0
2.5— 3.5	3.0
3.5— 4.5	4.0
4.5— 5.5	5.0
5.5— 6.5	6.0

Based on this division of the range in question, the numerical boundaries for these t values for each of the 5 groups, both for the average (M) and the standard deviation (s), are given in Table V.

Table V
Numerical Values for Selected Cell Boundaries in t Units for Averages and Standard Deviations of Each Group.

Cell Boundaries in t Units	Group (1) M	Group (1) s	Group (2) M	Group (2) s
—6.5	23.36		136.49	
—5.5	25.09		139.23	
—4.5	26.82		141.97	
—3.5	28.55	0	144.71	0
—2.5	30.28	.63	147.45	1.00
—1.5	32.01	1.85	150.19	2.93
—0.5	33.74	3.07	152.93	4.86
0.5	35.47	4.29	155.67	6.79
1.5	37.20	5.51	158.41	8.72
2.5	38.93	6.73	161.15	10.65
3.5	40.66	7.95	163.89	12.58
4.5	42.39	9.17	166.63	14.51
5.5	44.12	10.39	169.37	16.44
6.5	45.85	11.61	172.11	18.37

Cell Boundaries in t Units	Group (3) M	Group (3) s	Group (4) M	Group (4) s
—6.5	4.14		21.67	
—5.5	5.58		23.29	
—4.5	7.02		24.91	
—3.5	8.46	0	26.53	0
—2.5	9.90	.59	28.15	.58
—1.5	11.34	1.61	29.77	1.73
—0.5	12.78	2.63	31.39	2.88
0.5	14.22	3.65	33.01	4.03
1.5	15.66	4.67	34.63	5.18
2.5	17.10	5.69	36.25	6.33
3.5	18.54	6.71	37.87	7.48
4.5	19.98	7.73	39.49	8.63
5.5	21.42	8.75	41.11	9.78
6.5	22.86	9.77	42.73	10.93

Cell Boundaries in t Units	Group (5) M	Group (5) s
—6.5	1.32	
—5.5	1.81	
—4.5	2.30	
—3.5	2.79	0
—2.5	3.28	.18
—1.5	3.77	.53
—0.5	4.26	.88
0.5	4.75	1.23
1.5	5.24	1.58
2.5	5.73	1.93
3.5	6.22	2.28
4.5	6.71	2.63
5.5	7.20	2.98
6.5	7.69	3.33

Using these boundary values as guides, the midcell values in t units, as shown in Table IV, into which each weekly value given in Table I may be classified, is readily determined by observation. These are the components of the index, which indicates the variation in the business activities week by week. In combining the five t values found for the 5 groups of average values, it is necessary to decide on two factors:

(1) The weight factor. What are the relative contributions of each group to the whole?

(2) The direction or sign factor. Is an increase in the average value favorable or not?

In determining the relative weights (w), it is easier to use 1 as the sum of the weights and give each group a fractional weight value. Thus if two groups are involved, the weight for group (1) might be .4, and for group (2), .6. For the direction or sign factor, if an increase in the average value is favorable, the sign of the weight is plus (+), and if unfavorable, minus (—). For the standard deviations weight factors must be determined but the direction or sign factors are all minus (—), since a small variation is always desirable.

In obtaining an overall index, it is desirable to consider what weight shall be given to the index for averages as compared with the index for the standard deviations. Again it is best to make the sum of these two weights equal one to simplify the computations.

Weights have been arbitrarily assigned to the separate divisions of the data as given in Table VI. The midcell t values for averages for each week are given for the 5 groups and then are combined by means of the weights given at the bottom of the table to give the desired index.

For example, consider the second week. For group (1) the t value is —4 and the corresponding weight .2, their product is —.8. For group (2) the t value is —5 and the corresponding weight —.3, their product is 1.5. For group (3) the t value is 1 and the corresponding weight .3, their product is .3. For group (4) the t value is —1 and the corresponding weight —.1, their product is .1. For group (5) the t value is —1 and the corresponding weight .1, their product is —.1. The sum of these five products is: —.8+1.5+.3+.1—.1=1.0, which is the desired Index value. If all observed values were at the standard level, the Index value would be 0. A positive value indicates a value better than the expected value. The same procedure is followed to obtain the index for the standard deviations.

The overall index is found by multiplying the average index by its weight (.7) and adding to the product of the standard deviation index by its weight (.3). This index together with the other two indexes and the components and weights are given in Table VI. The three indexes are shown graphically on Figure 1.

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make office space cheaper

Old ideas die hard. "Contact" with the general office is an executive shibboleth that costs many firms "prestige" rentals. Some progressive organizations in metropolitan centers have analyzed the matter and found that, even with the cost of a most improved system of communication and a regular messenger service, it is less expensive to maintain a few hundred feet for executive use in a high priced building and several thousand feet for office use in a lower priced building. We expect to see this plan developed further within the next five years, particularly in the larger cities.

Burroughs show new typewriter

At the National Business Show, in New York, the Burroughs Adding Machine Company held an advance showing of a new standard typewriter. The company states that its new typewriter possesses a number of exclusive features in addition to those common to all modern typewriters. Margin stops are plainly visible and are in front of the carriage. Margin release is in front of carriage and centered so that it may be operated with either hand. Tabulating stops are visible and easily adjusted. The typewriter operates quietly and has many minor refinements. Since the Burroughs Company has been building typewriter-bookkeeping machines for a period of ten years, it is thoroughly familiar with the manufacture and servicing of this type of machine. The company's distribution and service organizations are world-wide and the new typewriter will be distributed through the present organization.

new high speed check writer

The Todd Company announces a new electric protectograph, electrically driven, which averages 1,200 amount line imprints per hour. Checks are fed into the machine by an electrically driven belt, automatically registered and, as they are imprinted, ejects them into a metal receiver, stacked. Imprints are made through a red and black ribbon with forged brass type. This insures uniform legibility with no inking attention. The machine is so constructed as to stand continuous use without appreciable wear on any part.

for fastening papers to file folders

An improved fastener for attaching papers to file orders is the Bindah Foldah Fastener. This fastener is of the double, flexible prong type. A metal base, with two long prongs, is attached to the file order. Papers are pierced by these prongs, which are then bent inwards. In the past, prongs have "kinked" and been hard to release for adding more papers. Method of attaching to the file folder usually tore holes which has made this form of binding insecure. All of these objections have been eliminated by the Bindah Foldah. The device is attached to the file folder by a simple machine which forces both binding prongs and attaching tongs through folder and securely attaches the device to the folder in one operation. No handling or forming of device is necessary for inserting in the machine. Kinking is largely eliminated, because of design. Work can be done more quickly than heretofore because of "semi-automatic" features. Anyone interested in seeing this fastener may secure a sample by writing this department.

re-enforcing loose leaf forms

The George B. Graff Company have just introduced *Press-A-Patch*, a device for applying re-enforcing loose leaf forms with cloth patches. The *Press-A-Patch* is used like a rubber stamp. A plunger, attached to a handle, is loaded with 100 patches. The bottom patch is moistened. The plunger finds center of loose leaf hole. As pressure is applied the plunger disappears and a patch is automatically left in place. It speeds up re-enforcing, one of the most tedious and time-wasting of office jobs.

certainly

If any reader wants more specific information about any item mentioned on this page—prices, applications to specific problems, dealer's address, etc.—we will be glad to furnish it without cost or obligation. Simply address your inquiry to the attention of "In the Modern Office."

mechanical bookkeeping aid

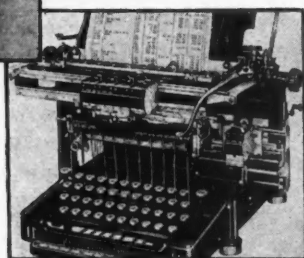
The Kohlhaas Ledger and Posting File, made by the Kohlhaas Company, of Chicago, is designed to replace heavy and cumbersome trays or "tubs." It is portable, sectional and lockable, takes up a minimum of space, affords a maximum amount of efficiency and is strong and durable. The device is equipped with lazy tongs on both sides, the tong on the right hand side being hinged so that it can be swung back and remain entirely out of the way when offsetting of sheets is required. Ledger sheets are entirely visible during the posting process, no perforations being necessary as the locking feature of the device keeps them in the holder. The file is sectional and may be lengthened to take care of additional sheets. Sectional posts are added on the same principle as a post-binder. All points of contact are fitted with rubber cushions so that file will not mar most highly polished surface. Ledger guides are made to fit any size ledger sheets and indexing is done to meet individual requirements. The Kohlhaas Company has specialized in sorting problems for the past 15 years. Its work has received the commendation of outstanding companies from the standpoints of space, time and money saving. The new Ledger and Posting File seems capable of effecting such savings in its particular field.

typewriter noise

Offices interested in reducing typewriter noise may find the Burgess Sound Absorbing Typewriter Pad worth investigation. This pad is said to absorb between 75% and 85% of typewriter vibration. A sound absorbent base is covered with a hard perforated material. The pad, therefore, retains its shape, is easy to clean, yet the sound absorbing qualities of the soft material are believed to be increased. Because of its solid construction, the typewriter rests on a firm base and its weight is evenly distributed over the entire surface of the pad. This creates more effective noise deadening. Pad fits any standard typewriter.

Milestones in the Progress of Machine Accounting . . .

1907 Remington . . . "Blind Writer"



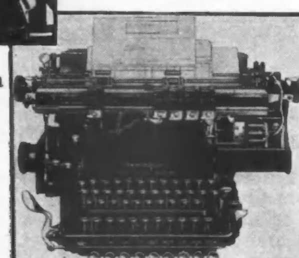
1914 Remington . . . Vertical and Cross Computing

THE first Remington bookkeeping machine was introduced in 1907 when the old Remington "blind" typewriter was combined with addition and subtraction attachments. Since then, Remington has made improvement after improvement to keep pace with the increasing tempo of business production. And today the new Remington completely electrified Accounting Machine . . . conceived and perfected by Remington Rand engineers is the crowning achievement of the accounting machine age.

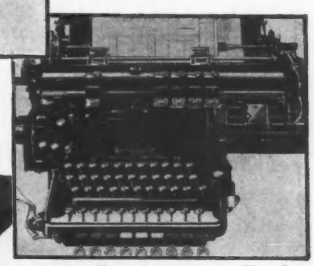
1924 Remington . . . Electric Carriage Return

Now, Complete Electrification!

Here is a *completely electrified* accounting machine. Electrified alphabet keyboard, electrified numeral keyboard, electrified carriage return, electrified line spacer. These and other automatic features bring to modern business an entirely new principle of machine bookkeeping. Send for a copy of "Remington Rand Electrifies The Accounting Machine . . . Completely". You will learn some surprising facts about the importance of electricity to modern accounting department operation. Remington Rand, Buffalo, New York.



1926 Remington . . . Front Feed Feature



1929 Remington . . . Dual Cross Computing

1931
REMINGTON
Completely Electrified
Accounting Machine

Remington Rand

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Address

C. F. M.-11

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cotton is king no more

(*Continued from page* 23)

no advances on next year's crop. It is characterized by James C. Stone, himself a southern tobacco planter of large holdings years ago, as "the most constructive move thus far undertaken in the cotton situation."

The Adams plan contemplates that bankers of those states will agree to retire one-fourth of the bales of this season's crop on which they have made production advances by converting the latter into commodity loans extending until the end of the cotton year next July 31 and supported by warehouse reports as collateral.

Thereby the total amount withheld will be 7,000,000 bales and Chairman Stone of the Farm Board sees from that move a substantial effect in improving the price of cotton available for sale this season.

Meanwhile the South, despite its efforts, can do little more than watch and wait. Uneasy lies the head that wears the crown of King Cotton!

the National Credit Corporation

(*Continued from page* 16)

districts have made considerable progress to this end, and I request that it should be taken up vigorously as a community responsibility.

III.—In order that the above program of unification and solidarity of action may be carried out and that all parts of the country be enlisted, I request the governors of the Federal Reserve Banks in each district to secure the appointment of working committees of bankers for each Reserve District to co-operate with the New York group and in carrying out the other activities which I have mentioned.

IV.—I shall propose to the Congress that the eligibility provisions of the Federal Reserve Act should be broadened in order to give greater liquidity to the assets of the banks, and thus a greater assurance to the bankers in the granting of credits by enabling them to obtain legitimate accommodation on sound security in times of stress. Such measures are already under consideration by the Senate committee upon currency and banking.

V.—Furthermore, if necessity requires, I will recommend the creation of a finance corporation similar in character and purpose to the War Finance Corporation, with available funds sufficient for any legitimate call in support of credit.

VI.—I shall recommend to Congress the subscription of further capital stock by the government to the Federal Land Banks (as was done at their founding) to strengthen their resources so that, on the one hand, the farmer may be assured of such accommodation as he may require, and on the other hand, their credit may be of such high character that they may obtain their funds at low rates of interest.

VII.—I have submitted the above mentioned proposals which require legislation to the members of Congress whose attendance I was able to secure on short notice at this evening's (Tuesday) meeting—being largely the members of committees particularly concerned—and they approve of them in principle.

VIII.—Premier Laval of France is visiting the United States. It is my purpose to discuss with him the question of such further arrangements as are imperative during the period of the depression in respect to inter-governmental debts. The policy of the American Government in this matter is well known and was set out by me in a public statement on June 20 in announcing the American proposal for a year's postponement of debt payments. Our problem in this respect is one of such adjustment during the period of depression as will at the same time aid our own and world recovery. This being a subject first of negotiation with foreign governments was not submitted for determination at this evening's conference.

IX.—The times call for unity of action on the part of our people. We have met with great difficulties not of our own making. It requires determination to overcome these difficulties and above all to restore and maintain confidence. Our people owe it not only to themselves and in their own interest but also they can by such an example of stability and purpose give hope and confidence in our own country and to the rest of the world."

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Thacher ends bankruptcy study

The Bankruptcy Act has failed and its administrative machinery is "inefficient and subject to exploitation," in the opinion of Mr. Thomas D. Thatcher, Solicitor-General, whose views were set forth in a statement issued by Mr. Charles E. Hughes, Chief Justice of the United States.

Mr. Thatcher's conclusions are based on a lengthy study of bankruptcy law and practice carried on by the Department of Justice and for the first time linked to a memorandum submitted to the conference of senior Circuit Court judges, presided over by Chief Justice Hughes, whose three-day conference recently concluded.

The Solicitor-General stated that the amount realized by general creditors in the bankruptcies of the fiscal year 1930 amounted to an average of only 7.4 per cent of liabilities, or 7 cents on the dollar.

The sweeping nature of Mr. Thatcher's findings bore out in large part the similar investigation concluded last year in New York State by Col. William J. Donovan, following disclosures in 1929 of fraud in New York bankruptcy practice. Colonel Donovan concluded for New York State as Mr. Thatcher now does for the nation as a whole that there has been a virtual breakdown of the bankruptcy law.

Mr. Thatcher's conclusions are three:

1—That the Bankruptcy Act has failed to achieve its central purpose.

2—That its administrative machinery is inefficient and subject to exploitation.

3—That without radical revision of the law no substantial improvement can be accomplished.

A complete set of proposals for remedying the situation has been drawn up by Mr. Thatcher, backed by the Attorney-General, Mr. William D. Mitchell, and is now indorsed by Chief Justice Hughes and the 10 senior judges of the Circuit Courts for submission to Congress.

Besides the question of bankruptcy reforms, the conference, under Chief Justice Hughes, made recommendations as to court congestion, urged additional district judges, proposed a new system of judicial assignments, indorsed the Wickersham commission's proposal for a judicial statistical division within the Department of Justice, ordered a study on probation and took up other matters.

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insurance digest

inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

group insurance for 805 employees

The recent adoption of a group insurance plan under which approximately $700,000 of group life insurance is provided for 805 employees of the Strutwear Knitting Company, manufacturers of hosiery and underwear at Minneapolis, is announced by James A. Struthers, president of the company. He stated that the company, under a contract with the Equitable Life Assurance Society, will share the cost of the insurance with the employees, the Insurance Advocate reports.

The contract also provides that an employee who becomes totally and permanently disabled before reaching the age of sixty will receive the full amount of his life insurance, plus interest, in equal monthly instalments.

The popularity of group life insurance is again shown by the fact that more than ninety per cent of the Strutwear Knitting Company's employees subscribed for it.

Knickerbocker merger approved

Directors of Knickerbocker Insurance Company of New York and Brooklyn Fire Insurance Company unanimously approved the proposal to merge the two companies. The consolidated company, which will be known as Knickerbocker Insurance Company of New York, will have a capital of $1,000,000 and the balance of the combined assets of both companies after all liabilities will be transferred to surplus account.

first half of year has life insurance rise

Life insurance in force among all United States legal reserve life insurance companies has made a net increase of $1,250,000,000 during the first half of this year, according to the Association of Life Insurance Presidents statement in announcing plans for its twenty-fifth annual convention to be held in this city December 10 and 11.

"There has been so much surmise as to the possible double effect of the slackening in new business in life insurance and the increased lapsation of policies on the total volume of insurance in force, that exact statistics as to the situation have been gathered," stated George T. Wight, manager of the association in addressing the members in reference to the plans for the forthcoming convention.

"The forty-four of our companies which contributed their experience to the survey have 82 per cent of the total insurance outstanding in all United States legal reserve life insurance companies. Making a conservative estimate for the remaining 18 per cent, it is found that the total insurance in force for all United States legal reserve life insurance companies on June 30 exceeded $109,250,000. Thus there is indicated a net increase of $1,250,000,000 in the outstanding insurance in the United States companies during the first six months of 1931."

charge of unethical rate making assailed

The attitude of George Van Schaick, State Superintendent of Insurance, towards the stock insurance companies is attacked in an editorial in the "Insurance Advocate." The editorial disagrees with the superintendent's remarks in reference to the unethical practices, especially rate making, in the field and his warning that "if additional powers are necessary the department will seek them," in order to correct these practices.

Mr. Van Schaick, in his recent address at the annual convention of insurance commissioners, held at Portland, Ore., warned that unless stock insurance companies began cleaning their own house the insurance commissioners of the different states should take steps to ask for powers to apply corrective measures.

"Is it not plain enough what he seeks?" the editorial states. "Insurance conducted as a business enterprise is not entirely satisfactory to him. He desires to have the state regulate both the prices of the product sold and the expenses incurred in selling it. He does not seem to perceive that such a program is deadly to stock insurance as a business, that it implies a preference for socialism as opposed to individualism. It is the kind of deadliness that would make citizens depend upon a paternal government instead of their own initiative, ability and enterprise. It would have the effect of leading to that kind of social cancer. It is essentially anti-American.

"If the state comes to regulate both the prices and the expenses of the business, the end of the business as a business enterprise would be in sight. Profit-making would become anathema and stock insurance would be discarded. The occupation of insurance brokers consequently would be gone; and the great American agency system of servicers would be reduced to a shadow.

"We ask Mr. Van Schaick to carefully consider whether or not that is mere dreaming. He has concentrated his attention upon a single angle. Wider and deeper collateral implications do not appear to have been studied by him. He seems blind to the ultimate consequences of his paternal attitude. He seems to think that the state can manage a business better than business men can."

Globe and Republic merger approved

Directors of Globe Insurance Company of America and of Republic Fire Insurance Company of America have unanimously approved proposal to merge the two companies, subject to the approval of the stockholders and of the Commissioner of Insurance of Pennsylvania. The Globe Insurance Company was incorporated in 1862 and the Republic Fire Insurance Company in 1871. The consolidated company will be known as Globe and Republic Insurance Company of America. It will operate under the management of Corroon & Reynolds, Inc., in New York. R. A. Corroon will be chairman of the board and N. A. Weed will be president.

Combined statement of the two companies at December 31, 1930, showed assets of $9,095,616; liabilities of $5,281,548, including premium reserve of $4,423,077, and capital and surplus of $3,814,067.

disability clauses being discontinued

Frederick H. Ecker, President of the Metropolitan Life, has addressed the following letter to all managers and superintendents of the Metropolitan field force:

"You will recall that at the Manager's Convention last April, Actuary James D. Craig referred to the seriousness of the situation concerning disability insurance issued with ordinary policies, and the advisability of adopting a new underwriting policy in this connection.

"After careful consideration, it has been decided that the writing of the disability annuity benefit in the Ordinary Department will be discontinued not later than January 1, 1932. A waiver of premium benefit will be written with premiums and provisions somewhat different than at present.

"While some restricted form of disability annuity benefit might be made available, such benefit would necessitate a reduction in the amount of monthly annuity, a substantial increase in the premium rates chargeable, and very careful underwriting, and would result, we think, in a benefit that would have little sales value."

The Travelers discontinued issuance of the income disability feature in life policies as of October 15 but will continue to write a waiver of premium provision and the accident indemnity provision, says the Eastern Underwriter.

In announcing the news to the company's field representatives, Vice-President James L. Howard says in part:

"Under date of June 30, 1931, you were informed by this office that material changes were in contemplation in connection with the permanent total disability provision, and that you would be advised of the effective date of such changes as soon as they should be definitely determined upon.

"A careful study of the situation convinces us that the restrictions which of necessity would be imposed on the disability income provision, the substantial increase in rates which would be required, and the severe limitations as to eligibility, would result in so much confusion and disappointment to you and your clients that the continuance of an income disability provision under such circumstances is not justified.

"The income disability provision will therefore be discontinued on October 15, 1931, and all applications signed after that date will be limited to premium waiver benefit. The rate for the premium waiver benefit will remain unchanged until January 1, 1932. Before that date you will be furnished with the new schedule of rates. There are no published rates for the premium waiver benefit on deferred annuities, so for the present such rates will be quoted in individual cases on application to the home office.

"The new premium waiver disability provision effective January 1, 1932, will be the same as that now being used, with the exception that the four months period of total disability required to qualify will be increased to six months, and retroactive action as to premium waiver or premium refund will be limited to twelve months preceding date of notice.

"Commencing January 1, 1932, the termination age for the additional indemnity provision will be 65 instead of 70 as at present. This provision will now be considered in connection with a life insurance contract irrespective of the issuance of the disability benefit."

Falls discusses fire waste

Laurence E. Falls, vice-president of the American Insurance Company of Newark in an address before the Rotary Club in Newark pointed out that possibly the most lasting benefit to be derived from the continued discussion of the present slump in business would probably be the elimination of waste, waste effort, and wasteful practices.

"We live in a land of plenty," said Mr. Falls, "even in this present depressed situation, we have more money, more cotton, more wheat, more lumber, more oil and more of a number of other things than we know what to do with. We are also a profligate people and this is probably as fully established by our annual and unnecessary fire waste as by any other indication. Each year we destroy $5.00 worth of property per capita by fire; some years a little more and in an occasional year, a little less. In countries where economy and husbanding of resources is a national habit, we find the per capita annual fire loss as low as 11 cents."

Great American Insurance Company New York

INCORPORATED - 1872

HOME OFFICE, One Liberty Street, **NEW YORK CITY**
WESTERN DEPARTMENT, 310 S. Michigan Avenue, **CHICAGO, ILL.**
PACIFIC DEPARTMENT, 233 Sansome Street, **SAN FRANCISCO, CAL.**

POLICIES ISSUED TO COVER

Fire, Lightning, Tornado, Windstorm, Hail, Explosion, Rents, Profits, Commissions, Automobiles, Motorcycles, Leasehold, Marine, War Risk, Hulls, Cargoes, Inland Marine, Inland Transportation, Floaters, Registered Mail, Mail Package, Tourist Baggage, Sprinkler Leakage, Use and Occupancy, Earthquake, Riot and Civil Commotion.

AFFILIATED INSURANCE COMPANIES

American Alliance Ins. Co.	Massachusetts Fire & Marine Ins. Co.
American National Fire Ins. Co.	Mount Royal Assurance Co. (Canada Only)
County Fire Insurance Co.	North Carolina Home Ins. Co.
Detroit Fire & Marine Ins. Co.	Rochester American Insurance Co.

Great American Indemnity Company

old time payment pays

(*Continued from page* 37)

and these accounts are now secured by mortgages against the purchases.

The customer has his payments divided into equal monthly installments, and as a consequence recognizes his obligation and prepares to meet it on the due dates. This means that the dealer can devote more time to sales because of the lessening of collection effort, and his business is now done on a cash basis because of receiving the amount of his sale price from the finance company, making his business just that much more liquid for promotion. His profit is not on the book but in the till. Meantime the consumer is the beneficiary in that he has been able to buy some necessity or desirable luxury which otherwise would not have been possible, the use and enjoyment of which has increased his happiness and well-being and raised his standard of living."

Financing consumption, while the customer uses the thing he buys, is an indirect but highly effective method of financing production. Economists for years taught that production of goods in itself created wealth in the form of wages, salaries and dividends by which the goods were bought and consumed. We have learned, however, that production is only half of the circle. Our factories today could indefinitely increase their production of goods that people need and want, but they are not doing it because they can not sell the goods.

There is no intention to go into a philosophical discussion here, but it would seem that the cart has been placed before the horse. Human happiness is the only good that comes of our existence. To this end production of necessities and luxuries is maintained. In the production of these things credit is accepted as necessary and justifiable; yet when the consumer asks for similar credit so that he can enjoy the very things that were presumably produced for him, he is told that it is not good for him to use the same means to purchase the article that was used to produce it. The distinction is not between producer credit and consumer credit; it is between wise borrowing and foolish borrowing; and to say that when consumers of small means incur debt they are generally stupid and unwise to do so, is to state what can not be proven.

As a matter of fact, the extension of consumer credit to installment buyers is safeguarded by just as great, if not greater, restrictions than the extension of producer credit. After the credit of the consumer has been thoroughly investigated to determine his willingness and ability to pay, after a substantial amount has been invested in the article to be purchased in the form of a cash down payment, and after a lien on the merchandise has been taken by the seller, what is there about an installment contract that makes it an unacceptable piece of paper?

Depressions have appeared at frequent intervals. Installment selling was never until now accused of causing them. To support such an accusation now there should be very direct evidence connecting the alleged cause with the effect. No one has produced any such evidence. Practically all foreign countries are going through this same period of depression; yet installment selling is a very minor factor abroad. What, then, is the basis of the assumption that installment selling is the major factor in our own depression?

It has been the uniform experience of installment sellers for the past hundred years that installment accounts are paid with very nearly the same regularity in bad times as in good. The installment risk is highly diversified. It is spread over many classes of people, who live in many different parts of the country and are engaged in many different occupations. Furthermore, in time of depression not nearly so large a proportion of people are thrown out of work as we are apt to suppose. Even when thrown out of work, the installment buyer will usually strain all his resources to complete his payments, rather than to lose what he has already put in.

In spite of all predictions to the contrary, the experience of finance companies during the past year and a half of depression has been very satisfactory. Repossessions and losses increased but slightly, and practically all the installment contracts which were in effect at the beginning of the depression have now been liquidated. One of the largest companies reported that during 1930, while repossessions and charge-off items arising out of installment paper were somewhat greater than usual, in proportion to the volume of business, they were not disturbing at any time. The total volume of bills and accounts purchased by that company in 1930, approximately $400,000,000 was 20% less than that of 1929, but the reduction of net profits was only 9%. Early information for the year 1931 confirms the experience of 1930. There have been no grave declines either in installment buying or in collections under the deferred payment contracts.

Actual experience shows that the paper purchased during the time of a depression is even better than that purchased in normal or boom times, because not only are the grantors of credit more conservative in such times, but so too are the buyers.

The old criticism of curtailing the further buying power of the consumer is hardly logical as a criticism of installment selling. The purchaser's buying power in the year following the purchase is no more curtailed than if he were saving the money to make a purchase at the end of the year. The only actual curtailment of his buying power is in the finance charges he pays, but these in turn go into somebody's pocket and become buying power.

Critics for the most part fail to take into consideration the rapidity with which installment obligations are liquidated. The installment debts incurred last year were more than half discharged before this year began. While the application of current income to current indebtedness may decrease other expenditures for the time being, by virtue of this very liquidation of indebtedness, it paves a way for a more rapid increase in expenditures later on. The consumer buys on the installment plan no more than he can reasonably expect to pay for. When he pays off these obligations during a twelve months' period on an average, he is ready to start all over again. It is not a pyramiding of credit as is claimed.

During the recent years, when installment selling has had its greatest increase, there also has been an astonishingly rapid growth in savings bank deposits, life insurance policies, building and loan association assets, and the widespread ownership of stocks and bonds. In a great many cases the same persons who were making purchases on the installment plan were also placing money in savings banks in Christmas Club, Vacation Club, and other special accounts, as well as in regular savings accounts; so that while on the one hand they were making use of bank credit through installment buying, they were on the other hand creating the basis

(*Continued on page* 52)

Latin American investments

(*Continued from page* 21)

thought of as a cereal and meat producing country, but in addition, there are important petroleum fields, minerals and vast lumber resources. Many of these are at present too far from markets, but ultimately will be of great value.

Brazil is known as the country of coffee and rubber. While the coffee market has been overproduced and is one of the main reasons for Brazil's present difficulties, the production of rubber has never been exploited to its fullest extent. The rich mineral resources of Brazil, as well as agricultural potentialities have not been more than tapped.

While Chile is known for its nitrates and copper, it is an important factor in other commodity markets, and in the general development of the west coast area.

Colombia, in addition to supplying large quantities of petroleum and coffee, also is an important producer of gold and precious stones, in addition to having future possibilities for the development of lumbering and other industries.

Venezuela, ranking among the leading oil producing countries in the world, has in addition other valuable mineral products, as well as coffee, cacao and forests which contain hundreds of species of wood.

In Central American countries, bananas, coffee and other agricultural products are important, but there are many undeveloped metal deposits.

While Latin America is primarily a producer of raw materials, manufacturing is still comparatively in the initial stages. Many new developments have been seen in the past few years, particularly in Argentine, Brazil, Chile and Mexico, and undoubtedly the further manufacturing and industrial enterprises will form an important part of the Latin American structure within the next few years, particularly in such lines as textiles, shoes, leather goods and other material for popular consumption.

One of the factors to be taken into consideration in Latin America is also the tremendous amount of undeveloped water power, which, although in many cases is in inaccessible districts, nevertheless will eventually be harnessed to extend the present electrical power distribution systems and provide comparatively cheap power.

Within recent months, many Latin American securities have been unusually depreciated. While in some cases both the financial and commercial investments have not been based on a sound foundation, it is probable that a great percentage of investments are based on better fundamental security than will be found in other parts of the world. Even in our own country, Latin American financial and commercial investments will bear careful watching, and the American business man should not be prejudiced or deviated from a proper appreciation of present and future possibilities of this territory by haphazard generalizations.

It's meliority that counts—not seniority.

Most people forget the *fun* in *fund*amentals.

—C. H. M.

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debtor's liability

Q. *Where a debtor in payment of his debt delivers to his creditor a promissory note made payable by a third person to the debtor's order, which the debtor endorses before delivery, what action would be necessary to protect creditor's interests, in the event the debtor went into bankruptcy?*

A. If before the note is paid, the debtor (that is the endorser) becomes bankrupt, the note may nevertheless be collected from the banker. Prior to the maturity of the note the holder should file a claim in the bankruptcy proceedings of the debtor endorser for the contingent liability.

claims

Q. *If a concern has passed several dividends that are accumulative and eventually becomes insolvent, do the stockholders have a preferred claim for the amount of the dividends, or do they stand in the same category as the unsecured creditors?*

A. In the event of the insolvency of a corporation, the claims of stockholders are subordinate to the claims of creditors. In the event that preferred stock has been issued and cumulative dividends remain unpaid, all creditors would be paid first, then the preferred stockholders would be paid their accumulated dividends, then the face amount of the preferred stock, and thereafter the common stockholders would be paid.

offset of bank deposit against note due

Q. *Can a depositor of a failing bank, who also owes a note to that bank, offset the deposit against the note provided the note has not been discounted?*

A. The general rule of law applicable to failed banks is that a debt of a depositor owing to the bank may be offset by the debt of the bank to the depositor, represented by moneys on deposit.

checks

Q. *Where a check is issued to a certain person and in the body of the check is printed the statement "This check is not valid if any erasure has been made," who would be liable in the event the check has been cashed by someone who was not entitled to it and there are marks on the check to show there has been an erasure?*

A. Where a check is made payable to a particular person or is endorsed to the order of a particular person and a bank pays the instrument to anyone other than the person entitled to payment thereof, the bank is legally chargeable for the loss.

An erasure on a check is notice to the bank and the bank makes payment of the check at its own risk. This is particularly true if the check bears on its face a statement to the effect that the check is not valid if any erasure has been made.

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preference

"I am going to fail, and you are a preferred creditor."

"Thank you," said Mr. Jones. "How much do I get on the dollar?"

"Nothing."

"Then how am I a preferred creditor?"

"You are a preferred creditor, because you know *now* that you're not going to get anything. The others won't know it for several months."

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.

Of CREDIT AND FINANCIAL MANAGEMENT, published monthly at New York, N. Y., for October 1, 1931.

STATE OF NEW YORK,
COUNTY OF NEW YORK, ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared Chester H. McCall, who, having been duly sworn according to law, deposes and says that he is the business manager of the CREDIT AND FINANCIAL MANAGEMENT, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management, etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, National Association of Credit Men, 1 Park Avenue, New York City. Editor, Chester H. McCall, 1 Park Avenue, New York City. Managing Editor, Paul Haase, 1 Park Avenue, New York City. Business Manager, Chester H. McCall, 1 Park Avenue, New York City.

2. That the owner is: National Association of Credit Men, a non-stock corporation with the following officers: E. Don Ross, Irwin-Hodson Co., Portland, Oregon. Acting President; F. S. Hughes, Federal Reserve Bank, Boston, Mass., Vice-Pres.; I. B. Davies, Bradley Knitting Co., Delavan, Wisc., Vice-Pres.; H. H. Heimann, 1 Park Avenue, New York City, Executive Manager and Treasurer; W. S. Swingle, 1 Park Avenue, New York City, Asst. Treasurer.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent. or more of total amount of bonds, mortgages, or other securities are: None.

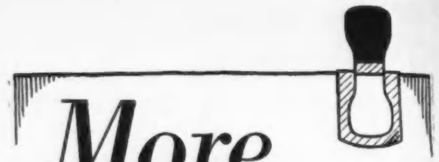
4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is —— (This information is required from daily publications only).

CHESTER H. McCALL, Editor.

Sworn to and subscribed beofre me this 2nd day of October, 1931.

RUTH E. HOCTOR,
(Seal) Notary Public, Kings County
Clerk's No. 214, Reg. No. 2237
Certificate filed in New York County,
N. Y. Clerk's No. 612, Reg. No. 2-4-404
My commission expires March 30, 1932



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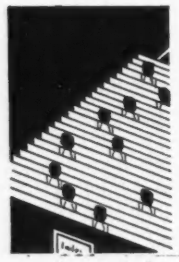

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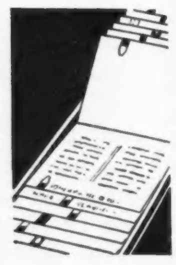

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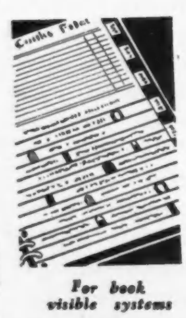

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COOK'S FILE Signals

? can the world travel the middle course?

(*Continued from page* 35)

and expansion of new industry has been effective in similar periods in the past. There are those who say television is too expensive ever to make a proper appeal and the airplane too foreign to our established methods of travel to become a real factor. The same arguments were once used against the radio and the automobile. Each new development brings with it new problems for solution which stimulate industry. The new high-speed automobile with its effective braking mechanism and the vastly increased use of trucks and busses have resulted in antiquating the former improved roads. The original highways are too narrow. They have too many hills and valleys, too many curves. Their surface is too slippery in wet weather and not sufficiently durable to withstand the ravages of modern traffic. The widening and improving of highways, the reduction and banking of curves, the elimination of grade crossings and the construction of super-highways are future projects that will bring employment to workers and demand for materials as soon as conditions become stabilized. Further stimulus also will be given as soon as stabilization is effected to the building trades and other long time investment projects which are naturally hesitant under present unstable conditions.

Even now, retarded as it is, consumption is ahead of production. Persons whose incomes have been reduced or who are apprehensive of the future are living in old and, in some respects, out-of-date homes, driving worn-out cars and wearing old clothes that sooner or later must be replaced. Formerly they lived in the future, now they live in the past. When conditions become stabilized and confidence is restored, they will tend to live in the present, which after all is the safest and best.

"In media via tutissima ibis", said Ovid—"Along the middle course you will travel most safely."

Every former period of depression, and there have been many, has had its end and this will likewise. Its end will be accelerated if we think out and apply remedies for existing evils, and, if instead of whining over what has passed, make the most of the present and prepare for the equally inevitable prosperous future.

Buffalo credit survey

On October 1 the ratio of overdue to outstanding accounts for 32 concerns in the Niagara (N. Y.) area, with over $7,000,000 on their books was 24.5% as compared with 22.2% on September 1 for the same concerns. This change was due to an increase of 10.4% in the amount of overdue accounts, the value of outstanding accounts changing only slightly.

We now have a full year's figures for seven concerns aggregating $4,000,000 of outstanding accounts. These indicate that the ratio of overdue to outstanding wholesale accounts has declined from 21.5% on October 1, 1930, to 21.2% on October 1, 1931. The value of both the outstanding and overdue accounts for these concerns decreased by over 20% during this 12 month period, due in part to the drop in commodity prices. These figures come from a University of Buffalo survey.

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addresses wanted

BARBER, E. V., formerly Dover, Delaware. Now believed to be in the trucking business in Baltimore, Md.

BROWN, J. A., Home Town Bakery, 2628 E. Federal Drive, Tulsa, Okla.

CARROLL ELECTRIC COMPANY, Tulsa, Oklahoma.

CASALE, JACK, 1829 Murray Avenue, Pittsburgh, Penna.

CLARY, R. F. COMPANY, (Real Estate) formerly Merchants National Bank Bldg., Omaha, Nebraska.

CLECKNER, J. C. & Company, Harrisburg, Penna. Last location, Washington, D. C.

DARNELL, (PAUL) and GRAHAM (LAWRENCE) formerly operated Muncie Boot Shop, Muncie, Indiana.

DAVIDSOHN, LOUIS, formerly in butter and egg business, 602 Bergenline Avenue, West New York, N. J. Previously as Louis Davidson Luncheonette at 584 Eighth Avenue, N. Y. City.

DE PAOLA, MARIE, 814 S. California Avenue, Chicago, Illinois.

GOLDBERG, JOSEPH & SONS, formerly 92 Baxter Street, New York City.

GOLDENBERG, ISADORE, formerly operated the Motor Car Supplies Company, Inc., 238 W. 56th Street. Later rented desk space of the Vesta Holding Corp., 236 W. 56th St. Former residence address was 200 West 70th Street, N. Y. C.

HAVEY, E. E., last known address, 5 Park Square, Boston, Mass.

JOHNSON, M. C., former address, 706 Sheridan Road, Chicago, Illinois.

KRAMER, M. J., probably soliciting business for some commercial agency.

MANNO, M., Allegheny, Jersey Shore, Penna.

McRAE, B. M., former address R. R. 2, Jackson, Tennessee.

MOSS, HARRY C., formerly partner in a shoe business in N. Y. City. Thought to be in San Francisco.

MYERS, E. M., formerly with Myers Printing Co., 21 S. W. 2nd Avenue, Miami, Fla.

PEVSNER, LEO & CO., formerly of Memphis, Tenn., moved to Waukegan, Ill. Supposed to be located somewhere in Brooklyn.

PREISKER, THOMAS HENRY, formerly in the electrical business, t. a. Electric Sales Company, Tulsa, Oklahoma.

ROZENDALE & KUROP, R. & K. Toggery, 3860 Fullerton Avenue, Chicago.

SMITH, LOUIS A., Men's furnishing business at 355 W. 125th St., N. Y. City.

SOUTHSIDE WALL PAPER & CLEANING CO., formerly located at 1809 Sidney, St. Louis, Missouri.

SULLENGER, WILBURN, formerly operating under the trade style of Sullenger Electric Company at Sapulpa, Oklahoma.

VOORHEES, G. W., who formerly had an auto repair shop, 173 E. 156th St., Corner Sheridan Avenue, Bronx. Moved out to St. Albans, L. I.

WESTERN STORES, INC., formerly 419 First Avenue, South. Later 1404 Second Avenue, Seattle, Washington.

The man with the biggest "toot" is generally the substitute.

—C. H. M.

our readers think

(*Continued from page* 34)

ratio of accounts receivable to shipments for a given month has been about 1/10% which we figure as thirty-five days where the terms are thirty days net.

If you are looking for any support in the action you have taken, let the writer be your friend. I might mention further that in doing this the writer found plenty of opposition from his assistants and colleagues, but most of them are now willing to admit that somebody else's ideas were worth trying out. Another thing—where each item is followed by itself there is less opportunity to build up the account beyond a reasonable credit limit and until one tries out the idea it is hard to tell how well satisfied he will be.

Good luck.

Yours very truly,
H. S. WHITNEY.

The educated individual purchaser now states: "It is good buy, or good-bye!"

—C. H. M.

JOHN HANCOCK SERIES

PARTNERSHIP CREDIT

INASMUCH as the death of a partner automatically dissolves a partnership, creditors can force their claims for settlement at once. When it is remembered that *any* partner is liable for *all* the debts of the partnership, it can be readily seen that a partner's dependents are vitally affected by such an occurrence.

Business Life Insurance can be carried by the firm for the reinforcement of credit against such a situation. For further information regarding its uses address:—

INQUIRY BUREAU

John Hancock
MUTUAL
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

197 Clarendon St. Boston, Mass.

Please send information on partnership credit.

Name..............................

Address..............................

C.M.

OVER SIXTY-EIGHT YEARS IN BUSINESS

old time payment pays

(*Continued from page* 48)

for additional credit through bank savings. All of these facts contradict the statements to the effect that installment buying is preventing people from saving.

The conclusions drawn by the National Association of Finance Companies of the soundness of installment selling through the depression may be summed up in five points: First, a depression does not result in an excessive volume of defaults or repossessions, and does not produce any appreciable amount of frozen credits in the installment field. Second, the soundness and liquidity of finance companies are not at all affected by depression, and as a consequence finance company paper is an exceptionally desirable asset for banks during a depression period. Third, the volume of installment buying during a depression varies in about the same proportion as the buying of all the classes of goods which are normally sold on installments.

In other words, the volume of installment selling increases during a boom and decreases during a depression, but these changes are a result and not a cause. Fourth, the volume of installment outstandings varies only moderately, and does not exhibit the violent movements that are characteristic of many of the common indexes of business during the oncoming of a depression period. Fifth, there is no evidence that installment selling is an important factor either in bringing on a depression or in bringing a depression to an end. It is entirely possible, however, that by expanding installment credits in times of depression and restricting such credits in times of general prosperity, the installment plan could be made useful in lessening the fluctuations of business.

In the words of Dr. Julius Klein, Assistant Secretary of Commerce, "The American development of the possibilities of selling useable articles on the installment plan, with all of its flourishing growth, has created no new economic danger. As a system it has been put under the most gruelling of tests by a world business depression of almost unparallelled intensity, and it has demonstrated its right to survive."

The Balance Sheet

We have audited the balance sheet and
say in our report
That the cash is overstated, the cashier
being short;
That the customers' receivables are very
much past due;
That if there are some good ones they
are very very few;
That the inventories are out of date and
practically junk,
That the method of their pricing is very
largely bunk;
That, according to our figures, the undertaking's wrecked,
But, subject to these comments, the
balance sheet's correct.

—*Credit Executive.*

insurance flexibility of vast importance

Today the general public is sold on the idea of life insurance but lacks knowledge of the various ways in which the insurance can be used to solve its problems. An outstanding value of life insurance, its flexibility of purpose, should be more appreciated. An editorial in the *Boston Commercial*, reprinted in *The Radiator* of the Massachusetts Mutual, pertinently points out its investment value in this regard.

It is pointed out that in times of depression, like these, the true value of life insurance comes to its full realization. Three cases are cited to illustrate this flexibility of purpose.

Recently we were talking with a member of a leading investment counsel firm, says the editorial. He is carrying somewhat over $50,000 term or temporary insurance, which sells at a very low figure, to cover shrinkage in his personal account. The facts in his case show that this shrinkage was not a large percentage of his account, but he chooses to make up for this loss in its entirety by means of insurance.

In another year or so his market operations may have yielded him such a profit that his shrinkage may have disappeared; then he will drop this temporary insurance. If any untoward event should occur to him, his investment estate will be turned over to his family intact. They will not be made victims of the panic of 1929 and of declining prices since that time. It is interesting to note that this firm recommends this program of protection to new clients who bring moth-eaten accounts to them to be restored to good condition.

A busy doctor had a crazy quilt investment of miscellaneous bonds and stocks. Industrious salesmen had sold him small amounts of 175 different issues. He had bonds of practically every foreign country that has sold bonds in this country. He owned bonds that had defaulted interest months ago, and he apparently was oblivious of the fact. His investments were all taxable so far as interest and dividends were concerned, and on the average his various purchases had declined 45% of their original value, while income was off 35%.

His realization of this condition brought a feeling of disgust to the doctor. His investment program should be handled by someone who knew about such things, or else he should give up investing. He took the following course of action. His poorest investments were liquidated. They provided a sum sufficient to buy the doctor $100,000 of life insurance paid in a single premium. For this, about $55,000 was necessary. The doctor will receive annual dividends which yield him about 3½%.

Single premium insurance for whole life or various endowments or combinations of life and annuities will yield their purchasers from 2% to about 5%. Usually the yield is not taxable. A year after the purchase (this period may vary) the purchaser can borrow almost all of the money he has invested, paying not more than 6% interest. Furthermore, he can insure his loan at a very low figure, if he is a good risk. The doctor can do these things when his policy is a year old. By that time he hopes the market and business will be in better condition. If he then wishes, he may borrow from this insurance policy and allow a competent man to handle these funds. In any event, the doctor has recouped his losses in one stroke. He may dismiss market worries from his mind. Next year he may enter upon a sensible investment program.

Another man who is an investment counsellor, has insured his twelve-year-old son. He wants him to realize the importance of insurance. It comes before bonds and stocks for most people and this boy's name is written upon an insurance policy before it appears upon a list receiving either dividends or interest. This father wants his boy to realize the safety and necessity of insurance. He himself would bequeath a substantial property to his wife and children if he died, but his chief reliance is upon his life insurance which he has had drawn up as a life insurance trust.

Acme

Hit the Line!

Hit the line *hard* and hold your gains—success demands this in any endeavor. Outstanding football teams win renown because first of all they are trained and perfected in fundamentals. Drill—*drill*—DRILL—is the watchword of any leader in sport.

Leaders in credit and business must likewise have at their finger tips an expert knowledge of *fundamentals*. More and more the stress of business conditions demands a mastery of credit principles and practice. Since more than 90% of all business transactions are based on credit, the executive who is skilled in the intricacies of the credit system has a compelling advantage over the man who is without credit training.

In step with today's exacting requirements, the National Institute of Credit has prepared a new correspondence course in Credits and Collections. This course is designed to be equally beneficial to administrative heads of large corporations and to young men on the threshold of their business and credit careers.

When signals are called, be ready to take *your* part in the play. Clip the coupon at right, fill it out, and mail today to the National Institute of Credit, One Park Avenue, New York.

National Institute of Credit, Dept. 11
One Park Avenue, New York City.

You may send me special information concerning your course in Credits and Collections.

Name ....

City .... *State* ....

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Firm ....

court decisions

washington notes

court decisions

INSOLVENT BUYER. SETTLEMENT. ACCEPTANCE BY BOARD OF TRADE. SUFFICIENCY. (CALIF.).

In this action for the value of goods sold and delivered, where it appeared that the buyer had encountered financial difficulties and its affairs had been taken over by the board of trade, of which plaintiff was a member, *held* that the evidence was sufficient to support the finding that the board of trade had not used reasonable diligence to obtain the best price obtainable for the stock of defendant, the buyer, and that an economical and efficient administration of defendant's estate would have resulted in the payment to the creditors of an amount greatly in excess of that received by them. Where it was admitted that plaintiff, under the rules of the board of trade of which it was a member, was not bound to accept a compromise of any of its claims against a debtor, the contention of interveners that the action maintained by plaintiff, after it had given notice of its dissatisfaction with the actions of the committee of the board of trade, was for the benefit of all creditors of the debtor could not be maintained. Judgment for plaintiff affirmed. *Milton G. Cooper & Son, Inc. v. William R. Davis and Brother, Inc. et al.* Calif. Dist. Ct. of Appeal. 1st Appellate Dist. Decided September 2, 1931.

* * *

PREFERENCE. KNOWLEDGE OF FACTS. REASONABLE DILIGENCE. (ILL.).

Suit to set aside a deed of trust executed by Kathryn Southworth to Peoples Loan and Trust Company, within four months prior to the time she was adjudged a bankrupt. The bill was filed by the trustee of the bankrupt's estate against the defendant bank on the theory that the transfer was a preference within the meaning of the Bankruptcy Act. This appeal is prosecuted from a decree dismissing the bill. *Held* that the record fairly tends to show that the defendant bank had knowledge of facts sufficient to put an ordinarily prudent person upon inquiry as to the financial condition of Mrs. Southworth at the time she made the trust deed. Such knowledge charged them with all the information they could have acquired by reasonable diligence. $30,500 of her indebtedness was of record and she was obligated to defendant for an additional $22,350. The president of the bank had known her for fifty years and the cashier had known her since he was 12 years old. They represented the bank in their official capacity, and although they knew she was largely indebted, and although the value of the farm was apparently well known to be not more than $100 an acre, they both testified that at the time the trust deed was executed, they made no effort to inquire into her financial condition. The weight of the testimony is sufficient to show that the defendant had reasonable cause to believe that she was insolvent when the transfer was made and that a preference would be effected thereby. The transfer was a preference within the meaning of the Bankruptcy Act. Reversed and remanded. *Sheadle v. Peoples Loan and Trust Co.* Ill. Appellate Ct. 2nd Dist. Decided August 29, 1931.

* * *

HOMESTEAD. ASSIGNMENT. WAIVER. SALES. INVOLUNTARY BANKRUPTCY. PRIORITY OF CLAIMS. CREDITOR AND DEBTOR. (GA.).

A retail merchant for the purpose of obtaining credit in the purchase of goods generally, made a financial statement to a corporation, in which he stated that he waives for himself and family all homesteads and exemptions, this waiver to become operative contemporaneously with the creation of indebtedness. He also assigned to said corporation a sufficient amount of his homestead to pay any debt which he may now or hereafter owe said corporation. At the time of delivery of the financial statement the retail merchant was indebteded for goods bought from the corporation. Thereafter, he became insolvent, and in an involuntary bankruptcy proceeding was adjudged a bankrupt. He made claim for a homestead exemption, consisting of a certain amount of cash and certain wearing apparel, which was duly set apart by the trustee in bankruptcy. In an equitable suit instituted by the plaintiff corporation, based on the above-described sales of goods and waiver of homestead and assignment of homestead, another corporation, which had a homestead waiver and assignment made subsequent to plaintiff's, intervened. All agreed that the last-mentioned waiver and assignment were valid; but the plaintiff insisted that its assignment, being senior, was entitled to the fund. Judgment was rendered for the intervenor for the amount of its debt to be paid out of the fund, and against the plaintiff for any amount. *Held* that if a customer who is indebted makes a written financial statement to the merchant, which expresses a waiver of homestead exemption relatively to his present indebtedness and to any future indebtedness, but does not at the time agree to make purchases, and the merchant does not at the time bind himself to extend future credit, the homestead waiver will not be a valid waiver as against the debt created by reason of the subsequently purchased goods, upon the principle that it is essential that the relation of creditor and debtor shall subsist before a valid waiver of homestead shall be effective. The waiver of homestead exemption, so far as related to subsequent debts was void; and to that extent the judge did not err in rendering judgment against the plaintiff. The assignment to the plaintiff rests upon different principles, and is valid both as to existing indebtedness and debts for future sales when actually made to defendant, although the plaintiff was not bound to make them at the time of executing the financial statement. The debt to plaintiff being more than the entire fund, the trial judge erred in awarding a portion of the fund to the intervenor on its junior assignment. Judgment in favor of intervenor and against plaintiff reversed. Rehearing denied September 26, 1931. *Southern Wholesale Corporation v. Pincus et al.* Ga. Supreme Ct. Decided September 17, 1931.

washington notes

DISTRIBUTION DATA DEFICIENCY

What are the deficiencies in the information available in each trade group? Frederick M. Feiker, Director of the Bureau of Foreign and Domestic Commerce, gave an imposing list of such deficiences in many trades in a recent address on trade association and business stabilization.

Some of the most important questions were given, as follows: What are the unfilled orders in your trade from week to week, and from month to month? What are the stocks on hand with manufacturers, wholesalers, and retailers? In what direction is consumer preference leading your trade? Through what channels of distribution do your goods move most economically into consumers' hands? What are the total sales of your product throughout the American market and what is the dispensation of those sales by items? In planning your sales quotas do you have to rely upon general market indices that in many cases have only a casual bearing on your particular product, or has your trade combined to build up a knowledge of the best markets for your separate products that collective experience can provide. What do you know about your distribution costs? Does overhead mean merely a lump sum expenditure incapable of differentiation, or is it something that came into being because of steadily piled-up costs on different items, salesmen's territories and customers? If the latter, where has the burden been unequal, and how much is it costing you every year to support the system in which these errors are contained?

And finally, has your research effort in the field of distribution enabled you to arrive at uniform distribution cost methods, stock and inventory controls, and trade practices built upon economics as well as ethics? To what extent do the members of your trade practice selective selling and selection of distribution?

WHOLESALE MARKETS CONCENTRATED

A high degree of concentration of the wholesale markets of the country is revealed in the reports prepared by the wholesale section of the Census of Distribution, being released currently. Of the 3,073 counties in the United States, there are 11 whose combined wholesale business is one-half of the wholesale trade of the Nation. If another 46 counties are added, more than 75 per cent of the wholesale business of the country is accounted for.

Of course the business enjoyed by these counties is based to a considerable extent on sales consummated in other parts of the country. These central markets, however, are the important markets for those selling to wholesalers and this high degree of concentration is of the greatest significance to them.

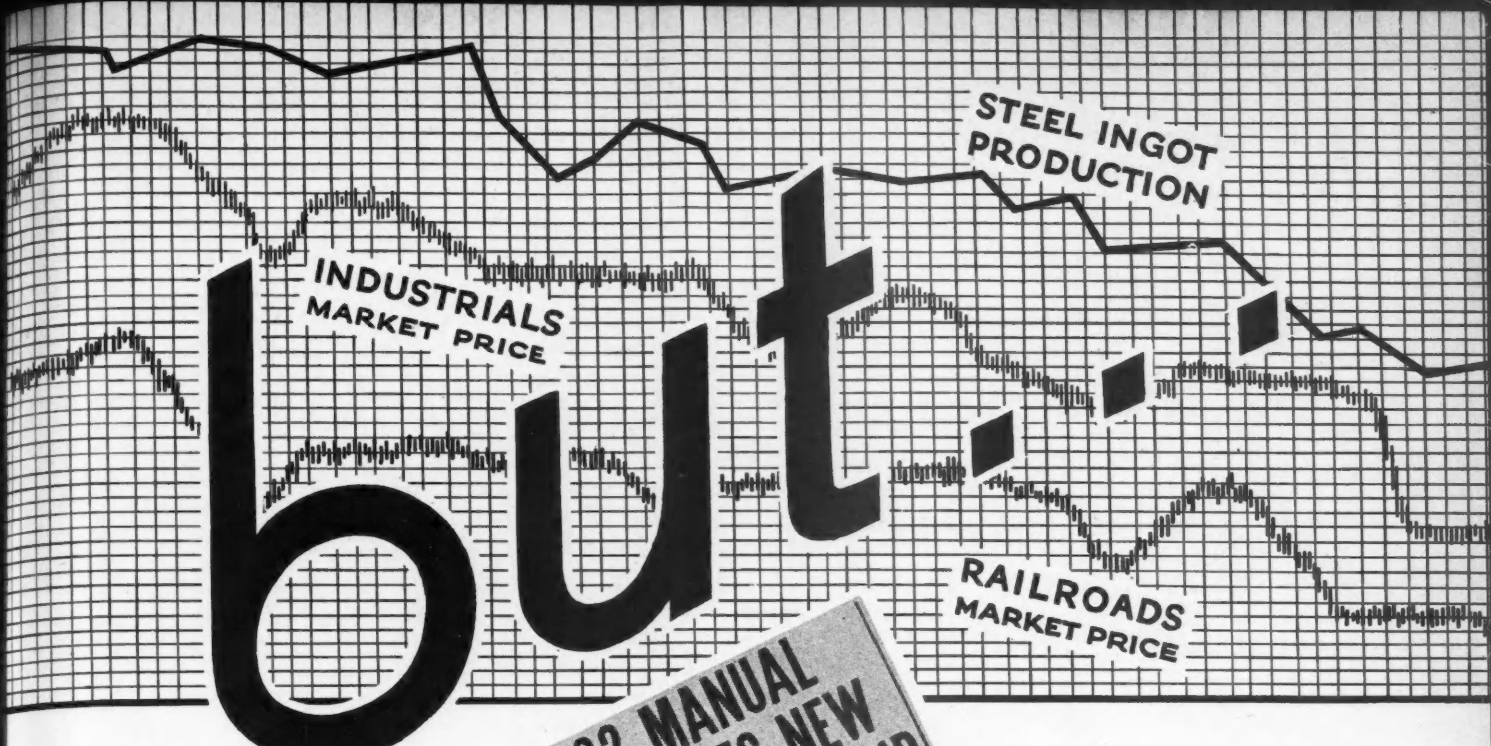
LITERACY—BUYING POWER TIE-IN

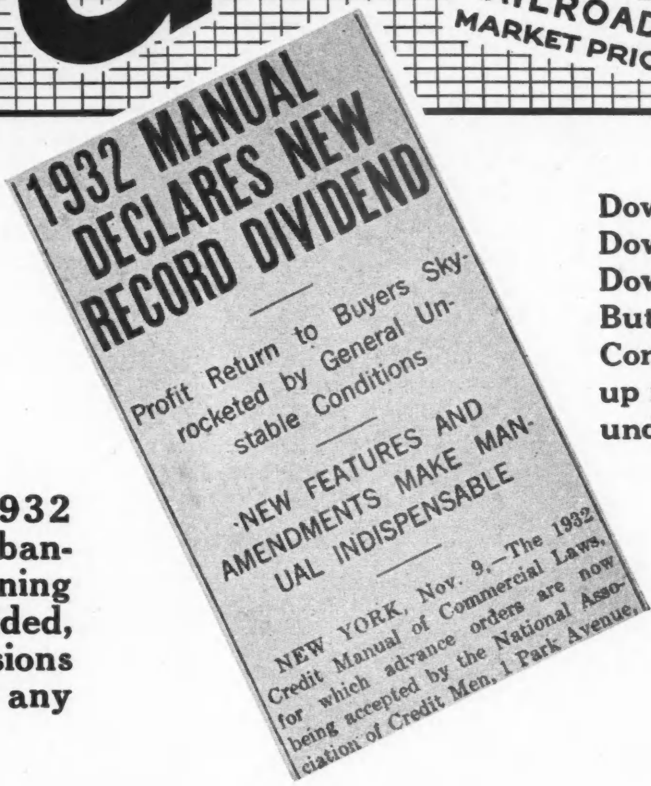
A direct relationship between literacy and purchasing power was traced by the United States Commissioner of Education in a recent announcement. States which rank highest in education also take the lead in per capita wealth and show greater per capita purchasing power, he said.

Per capita purchases through retail stores were compared with illiteracy figures released by the Census Bureau to show the importance of education in increasing standards of living and economic wants. In addition to purchasing power he stated that book purchases and newspaper subscriptions are far less where illiteracy exists than in states of high literacy.

HIGH ANNUAL WASTE LOSSES

The annual bill for unnecessary costs and losses in our distribution system is probably much more than the 8 to 10 billions of dollars generally estimated, Dr. Julius Klein, Assistant Secretary of Commerce, pointed out in a recent address. Wastes in distribution may amount to as much as $400 or $500 annually for each of the 25 million families in the United States, he estimates on the basis of the figures gathered in the National Census of Distribution.





1932 MANUAL DECLARES NEW RECORD DIVIDEND

Profit Return to Buyers Sky-rocketed by General Un-stable Conditions

NEW FEATURES AND AMENDMENTS MAKE MAN-UAL INDISPENSABLE

NEW YORK, Nov. 9.—The 1932 Credit Manual of Commercial Laws, for which advance orders are now being accepted by the National Asso-ciation of Credit Men, 1 Park Avenue,

Down go profits—
Down go dividends—
Down go securities—
But the Credit Manual of Commercial Laws keeps up its unbroken record of undiminished dividends!

Owners of the new 1932 Manual are assured of a banner year—new profit-earning features have been added, and more significant revisions have been made than in any previous edition.

Alert credit executives are seizing every safeguard to protect 1932 credit decisions. Strenuous competition demands keener knowledge of the legal implications affecting the rights and obligations of debtors and creditors in every State. In the Manual all Federal and State Laws applying to sales, credit and collection work are summarized, classified and indexed for quick reference.

Have you up-to-date information on all State laws applying to Bonds on Public Improvements? The Manual contains this data, brought up to the minute by Edward H. Cushman, Esq., of the Philadelphia Bar, an outstanding authority on the subject. Are you familiar with present procedure in filing claims against decedents' estates? The laws of every State on this subject have been summarized this year in the Manual. The Manual also contains the most complete list of Referees in Bankruptcy published anywhere, including the jurisdiction by counties of each Referee.

The price of the Manual is only $3.50, postpaid, if you act at once. After December first the price advances to $4.00 per copy.

Don't delay! Send in your order TODAY!

NATIONAL ASSOCIATION OF CREDIT MEN :: ONE PARK AVENUE, NEW YORK

the bankers' blanket

(*Continued from page 29*)

covered is actually within any of the Insured's offices to which the bond is applicable; and

in transit clause (*outside*)—Also robbery, larceny, theft, or hold-up by any person whomsoever, while the "Property" is in transit under certain conditions, including negligence on the part of the employee having custody of "Property" while in transit.

These are some of the coverages which appear in the narrowest and cheapest Bankers' Blanket Bond, Standard Form No. 2. The coverages are broader in some of the other Bankers' Blanket Bond forms but I think this will suffice to give a comprehensive outline of the desirability of Blanket Bond Insurance. Incidentally, some of the coverages, such as Destruction, Misplacement, and others, are not obtainable unless a Bankers' Blanket Bond is issued.

Notwithstanding the fact that some of our friends occasionally give voice to the opinion that the number of Bankers' Blanket Bonds available is quite bewildering, there is really nothing mysterious about these contracts. The lack of understanding is due principally to the fact that they do not or will not understand that different Blanket Bonds have been prepared to serve and accommodate entirely different classes of business.

Take, for example, the case of savings banks—mutual savings banks transacting a purely savings business. Bankers who are operating these savings institutions know that as a practical proposition they have just one form to consider, designated Bankers' Blanket Bond Standard Form No. 5. It was designed especially to meet the needs and requirements of Savings Banks at rates which many underwriters today consider inadequate.

We leave savings banks and take up the matter of incorporated banks, by which we mean national and state banks, trust and safe deposit companies, and industrial banks. In this field a banker has a choice of buying Bankers' Blanket Bonds known as Standard Forms No. 1, 2 and 8, but form No. 1 need hardly be considered because it has been patent for some time that it is automatically going out of existence. We, therefore, find that in the case of incorporated banks we have forms No. 2 and No. 8 to consider. Medium-sized banks and smaller organizations we find are usually interested in Bankers' Blanket Bond Form No. 2 only.

Now, then, the question may occur to you, how about the very large banking organizations? It has been almost invariably the experience that such corporations are generally interested in a combination of protection, that is to say, Bankers' Blanket Bond Standard Form No. 8, to carry the primary, or first liability, and Bankers' Blanket Bond Standard Form No. 2, to carry the excess, or secondary liability. The form designated as No. 8 is the broadest one issued by any American company and may have included in it outside forgery protection if such coverage is desired by the insured.

The banking fraternity, much to its sorrow, has repeatedly followed the old axiom of "penny wise and pound foolish", which is something of a paradox because there is no class of individuals better fitted to measure accurately its exposure through losses caused by dishonest persons than bankers themselves. Many banks have had occasion to learn a serious lesson in this regard, which is distinctly reflected by the fact that bankers generally are now selecting insurance contracts with the utmost precaution.

The present world-wide financial upheaval through which we are passing has developed on the part of insurance-buyers generally "coverage consciousness" and also "company consciousness". In regard to the former, it seems unnecessary to say any more than to emphasize the fact that when the best form of contract available has been obtained, issued for a proper amount, nothing more can be expected from the directors, the management, insurance advisors or insurance carriers, except along the lines of loss prevention. In reference to "company consciousness" we submit that during the past decade company financial statements have meant little to the average purchaser of insurance, but at the present time there is no stronger argument than a good financial statement indicating without question the strength and reliability of the company in which your insurance advisor may propose to write business for your protection.

Today it is well recognized that the crisis of many business lives, whether they be corporate, co-partnership, or of an individual nature, will be met by proper forms of insurance carried for adequate amounts. You will probably be interested to know that Bankers' Blanket Bonds have recently passed their sixteenth year of existence in this country, and very few bankers have been known to abandon this form of protection when they have once become familiar with it. This has been the observation of the "Hartford" in particular, and other companies in general.

omnia mutantur, nos et mutamur in illis

"By reason of ever new and oncoming inventions, of improved means of world-wide communication, the world has for some years been moving in a greatly accelerated tempo and we haven't yet caught up the slack, consolidated our inventive and economic victories and stabilized our material gains—which, of course, has thrown our industrial mechanism out of kelter. This is but the history of all human advancement. Those of us who are blessed with the resilience and the adjustable qualities of youth will easily achieve the new orientation and be benefitted in the process. . . . The fermentation now going on, which has been in process ever since the World War, is agitating this old world up and down and all between. I haven't the least doubt but that it is a movement fraught with tremendous betterments for the common man of the next generation — the generation just now making its advent upon the stage of life—but it is bound to be costly for those in middle life and of more advanced years who are more or less permanently adjusted to the older order of things. . . . The current generation has ever been deeply beholden to generations of the past for the security and most of the comforts it has enjoyed. Hence it is that those of the present can offer no reasonable grounds for complaint for the inconveniences they may be called upon to undergo in the interest of the advancement of those of the future. It is a kind of voluntary reciprocity of benefits—the operation of the law of compensation in human affairs; the working out of the 'law of equal and opposite reaction.' "

—Herbert E. Choate
Choate Investment Company